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ABSTRACT

Designed to aid minority firms who are inexperienced in the export market, this handbook provides a step-by-step guide to the development of an export business, describing what to do, how to do it, and where to find more information on specific international marketing help. Starting with the easiest opportunities that do not require any specialized knowledge since their sales activities resemble those with regular customers, part 1 deals with selling to companies in the U.S. who, in turn, ship or resell goods to foreign customers. Twelve marketing possibilities are given in this category, and sources for other buyers are suggested. Part 2 serves as a guide for manufacturers wishing to develop their own expertise in exporting. Three levels of involvement are recognized in this stage: (1) direct response to inquiries or leads from foreign customers, requiring quotations, shipment of goods, and methods of payment; (2) establishing a regular sales effort in conjunction with a marketing plan detailing the choice of countries, marketing tactics, and export budget; and (3) developing export momentum which demands a large cash commitment, travel, and the hiring of export specialists. As an alternative to direct exporting, part 3 explores the use of an export management company (EMC), giving the pros and cons and suggesting how to develop an effective relationship with an EMC. Throughout the three parts, the minority entrepreneur is discussed with emphasis on the specific advantages and disadvantages of this particular situation. (ELG)

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HOW TO BUILD AN EXPORT BUSINESS

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An International Marketing Guide for the Minority-Owned Firm

Prepared by
Rockville Consulting Group, Inc.
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(Nelson T. Joyner, Jr. and
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U.S. DEPARTMENT OF COMMERCE
Office of Minority Business Enterprise
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PREFACE

WHY THIS HANDBOOK?

Since its inception in 1969, the Office of Minority Business Enterprise (OMBE) has provided practical assistance to minority business people. This international marketing handbook, *How To Develop an Export Business*, is a continuation of this concept. It contains down-to-earth advice for the minority-owned firm that wants to sell products or services to customers in other countries.

The exports of goods and services from the United States are now at record levels. And opportunities certainly exist for minority-owned firms in foreign markets. Minority-owned firms make a wide variety of products that are exportable. Others provide engineering or construction services for which a foreign demand exists.

On the other hand, until now, only a few of these firms have attempted to market abroad, although many have the capability and the capacity. Why haven't they done so? For the most part, their management has been preoccupied with market development in the United States. Consequently, they have had little time to explore profitable sales opportunities abroad. Nor have they had the opportunity to familiarize themselves with the helpful international marketing services available from U.S. government agencies, as well as from private industry.

This handbook, then, is designed specifically for minority firms who are new-to-export; in other words, those firms without export experience as yet. It is a step-by-step guide—a practical, how-to-do-it manual that describes in detail what to do, how to do it, and where to go for information on specific international marketing help.

But this handbook is different from other how-to-export guides. We believe minority-owned firms should start with the export opportunities that are easiest to capture. We recognize that practically *every* successful exporter reached that position through stages. An exporter does not become successful overnight. Typically, these stages are:

— Stage I: In this stage, manufacturers sell to companies located in the United States. These companies, in turn, ship or resell the goods to foreign customers. The U.S. manufacturer does not need an export department, nor does it need to worry about shipping goods beyond United States borders. Selling normally is similar to selling a domestic account. You can use your own domestic sales personnel who do not have to know another language. You needn't be familiar with the intricacies of special export paperwork, and you are selling to customers who pay as promptly as the best domestic accounts (sometimes better!). This market, called the *U.S.-for-export* market, is huge—and growing. For every $4 of exports of goods and services from the United States, about $1 results from U.S.-based buyers who make up this "export" market segment!

— Stage II: In this stage, manufacturers respond directly to inquiries or leads which come from foreign companies. In addition to selling the U.S.-for-export segment identified above (Stage I), the new-to-export firm will make occasional shipments to foreign customers. This stage normally does not require a firm to have a special export department, but it does require some knowledge about the details of shipping goods to foreign locations, and how to get paid by foreign customers.

— Stage III: In this stage, manufacturers go beyond the occasional shipment to foreign customers (Stage II) and sell customers in a foreign country on a regular basis. The establishment of a marketing team abroad—sales agents and/or distributors and dealers in foreign countries—is generally necessary. By now, the manufacturer probably has a well-established export department. Some manufacturers, however, can reach Stage III without their own internal export department. A successful export effort can frequently be obtained by turning over export sales responsibility to U.S.-based export middlemen who are called Export Management

Companies (EMC's). Using an EMC to reach foreign customers is much like using a U.S. manufacturer's representative (or agent) or a distributor/dealer in order to reach U.S. customers.

This handbook starts with a discussion of selling in your own backyard—reaching out to sell your products to export buyers who are located in the United States. Secondly, the handbook will guide the novice exporter in how to get a foothold in foreign markets; and thirdly, it will advise the firm who may wish to "hire" an export department; that is, use the services of an export management company (EMC).

LIKE A LADDER

The handbook is designed to reflect how a firm actually gets involved in the various stages of exporting. Thus, the handbook contains a number of segments. Each is like a rung on a ladder. Readers can climb no further than they wish, consistent with their own needs, expectations, and resources in developing an export business.

There are some who will only be able to handle export business that comes to them easily. Perhaps they can do no more than sell to one of the huge Japanese trading companies that maintain buying offices in the United States. Perhaps they may want to go no further than selling to U.S. Post Exchanges around the world through special sales representatives that handle the large U.S. military market abroad. For these firms, PART ONE will assist them in getting started.

Other manufacturers may just want to go a bit further by "skimming the cream" in export sales. They may not have the time or management resources for a deep, committed export sales effort. However, these firms can still develop profitable export sales. PART TWO of this handbook is designed for these "part-timers."

But, there will be those who want to go all the way and mount an aggressive export effort. Foreign travel is a must, a network of foreign distributors and/or agents will be needed, and management will have to familiarize itself with the specialized vocabulary of exporting. PART TWO of this handbook will also guide these firms.

Some manufacturers who don't want to devote the time and resources to developing their own export effort still find that they can obtain profitable export sales. They "hire" an Export Management Company (EMC) to handle their exports. PART THREE of this handbook will guide firms who consider this alternative.

But, remember, stop where you want.

INTRODUCTION
HOW EXPORTS CAN PAY OFF

WHY EXPORT? To make money is the obvious answer. Expanding total sales means growing total profits. In the United States, about one of every ten manufacturers is an exporter. Some 10,000 small firms, those with fewer than 100 employees, are currently exporting. It is fair to assume that they would not be doing so if they were not making a profit.

FOUR WAYS EXPORTS CAN BOOST PROFITS

1. Exports mean additional customers. This means greater annual sales which translates to greater total profit.
2. Exporting may offer growing market opportunities when U.S. sales have fallen off. A good example: the temporary U.S. recession in 1974 and 1975 was offset for many U.S. companies that export. In fact, export sales boomed during those two years.
3. Exporting often extends the life of a product which is nearing the end of its usefulness in the United States.
4. For seasonal businesses, exports may help keep a firm's plant operating by lengthening production schedules.

A GENERAL RULE TO FOLLOW. If you are successful in selling a product in the U.S. market, chances are you will be successful in selling abroad. But frankly, some products have limited potential. For example, there won't be many opportunities for selling products of wood—such as pallets—in countries with extensive timber tracts or where low-cost labor can turn out a competitive product at a lower price than you could sell it there.

BUT EXPORTING IS NOT FOR EVERYONE. Export sales can be a difficult proposition. Exporting is *no* cure for your business headaches in the United States, particularly if you have product problems. If your product is *not* accepted in the United States, it will not do well in foreign markets. And exporting can be time-consuming and expensive, eapecially in the early stages.

WHEN TO EXPORT: A RULE OF THUMB. If you have a successful domestic business which is running efficiently *and profitably*, and you are looking for new worlds to conquer, then exporting will pay off. But—and this cannot be stressed often enough—developing foreign markets will take the same *energy, determination, hard work, and advance planning* that made development of your U.S. market a success.

BUILT-IN MINORITY EXPORTS EXPERTISE. Minority business people often have a natural expertise which will help them in sales development abroad. Many were born abroad and thus have close personal ties with business people in their original homeland. Their knowledge of a second language and foreign business customs could be helpful. For example, many exporting firms in the U.S. Southwest are owned by those of Mexican or other Hispanic origin—an advantage in selling to the Spanish-speaking Caribbean area, to Mexico, Central America, and South America as well.

A SPECIAL WARNING! While some minority entrepreneurs may have built-in ties with potential customers in other countries based on a personal, family, or cultural relationship, sometimes they ask too much from these relationships. For example, some may want to start an export business with little or no prior business experience. Starting an export business calls for capital, business know-how, and access to products. Without them, success is impossible. Even with them, it is not guaranteed.

PART ONE
EXPORTING IN YOUR OWN BACKYARD

* * * * * * *

PART ONE describes a gigantic portion of the export sector—the U.S.-for-export market—which is comprised of many segments. This market is ideal for the new-to-export firm seeking additional business that requires no specialized knowledge. Sales activities are basically the same as those employed when doing business with the firm's regular customers.

The following chapters identify potential customers, provides discussion needs, and offers step-by-step instructions on how a company proceeds in selling to U.S. based cust[illegible]ers.

CHAPTER I

THE HIDDEN EXPORT MARKET: SELLING IN YOUR OWN BACKYARD

YOU MAY ALREADY EXPORT! Although you don't actively solicit business from customers in other countries, chances are your products have already found their way abroad. At this moment, without your knowing it, your products may be displayed in a ferreteria (what hardware stores are called in Latin America). Perhaps they are being used in a Nigerian housewife's kitchen, or perhaps they are helping a German firm make its product.

Your goods can appear overseas in at least six ways which involve no selling effort on your part, and in some cases, without your knowledge!

1. Foreign tourists visiting the United States may purchase your product and bring it back home.
2. Americans often send gifts to friends or relatives living overseas.
3. Some U.S. wholesalers and/or distributors are active exporters. The product you sold to your wholesaler or distributor, in turn, may have been resold to a foreign firm.
4. A well-established export market exists for used clothing, used industrial machinery, or used construction equipment. All are popular items abroad. A foreign buyer may have purchased some used goods from one of the many specialized firms located in the United States for this type of product.
5. A U.S. construction company, finishing an overseas project, often finds it less costly to sell the construction machinery locally, rather than bring it back home.
6. You may sell your product to another U.S. manufacturer who incorporates your product into his own. The complete product may be then exported by your customer to a foreign location.

The examples cited are all part of a special export market segment called the U.S.-for-export market.

THE HUGE U.S.-FOR-EXPORT MARKET. In 1975, the United States exported about $100 billion worth of goods. These goods were shipped to users in over 100 countries. What is not apparent—or appreciated—is that one-quarter or more of this $100 billion was actually bought by customers located in the United States. The U.S.-based customers then arranged for the shipment of this $30 billion in goods to foreign markets.

The U.S.-for-export market is composed of many segments. It's a gigantic part of the total export sector that's often overlooked by U.S. firms. But a surprising amount of "export" business can be developed for the company that wants to get additional business but doesn't want to, or can't devote resources to, establishing its own export expertise. And it requires almost no specialized knowledge. Sales made to this market segment are—for the most part—no different from sales made to your other customers. The order is received, in the English language, from a U.S.-based firm. Shipment is made, usually in domestic packing, to a U.S. location, and you will be paid in the same way as your domestic customers pay.

FIVE EXAMPLES OF THE "U.S.-FOR-EXPORT" MARKET. Here are some customers who are likely to purchase U.S.-made goods or services for export.

1. A large Chicago-based commodity broker purchasing grain from a farmer's cooperative in order to fulfill a sales contract with the Soviet Union.
2. A builder of prefabricated homes, buying component products from U.S. suppliers to be assembled in prefabricated houses destined for oil-rich markets of the Middle East.
3. A large engineering/construction firm, building an oil refinery abroad, buying U.S.-made equipment to be used in that refinery.
4. A U.S. military post exchange (PX) abroad, sending orders for U.S. consumer goods back through U.S. government channels.
5. The U.S. branch of a gigantic Japanese trading company buying every year hundreds of millions of dollars worth of U.S. merchandise which it will ship to Japan and other foreign markets.

You can get into exporting "in your own backyard" by selling your products to these specialized U.S.-for-export accounts. These U.S. customers handle all the shipping and exporting details. And what's more, they are likely to pay for their order in the same way as your best domestic accounts. In some cases, they may pay in advance; in other cases, upon delivery of your goods, consistent with the domestic terms of your industry.

IDENTIFYING THE EXPORT BUYING SEGMENTS MAY TAKE SOME DIGGING. It may not be easy to pick out and choose the U.S.-for-export segment best suited for your product, and it will take hard sales work. In this chapter, we identify the major "U.S.-for-export" buying segments. In succeeding chapters, we describe each buying segment in detail, telling how to locate potential customers, with suggestions on how to approach them.

ELEVEN IMPORTANT SEGMENTS. We'll identify and describe the 11 most important segments.

1. *The large U.S. companies that purchase U.S.-made goods for their own foreign affiliates.* Many large U.S. companies have manufacturing plants located in other countries. These plants usually require a wide range of U.S.-made products—such as raw materials, components, subassemblies, and even finished products for resale. These large companies—found in every industry—are the General Electrics, the DuPonts, the Gillettes, the General Motors, etc. While much of the $15 billion worth of U.S. products sent by these manufacturers to their own plants abroad is made in the company's own U.S. factories, a large volume is purchased from other U.S. firms.

   Example: *A large U.S.-based chemical company has a plant in Puerto Rico. When this plant needs scientific instruments, purchasing executives located in the company's New York headquarters may purchase the instruments and arrange for their shipment to the Puerto Rican facility. Suppliers are paid by the headquarters.*

2. *Large design and construction firms purchase for foreign projects.* U.S. design and construction firms awarded contracts for building major installations abroad—such as hospitals, oil refineries, chemical plants, etc.—purchase goods and services in the United States. Two types of firms make up the segment. The first: general contractors—typically large organizations who build ports, roads, and dams—not only in the United States—but in foreign countries. The second group, called constructors, build such things as steel mills, chemical plants, oil refineries, textile plants, petrochemical plants—not only in the United States—but also in foreign countries. They are frequently called "turn-key" constructors because they literally build the plant from start to finish and hand the customer the key to a plant ready for operation. Every year contractors and constructors together probably purchase and export $4 billion or more worth of U.S.-made goods needed to build these foreign facilities.

   Example: *The Lummus Company recently was asked to build a new foreign refinery. Much of the equipment and materials needed in this facility were purchased by Lummus buyers located in their Bloomfield, New Jersey, headquarters.*

3. *U.S. branches of gigantic foreign trading companies.* Japan imports $12 billion of goods from the United States each year. And almost half of this total—$5 billion—is bought in the United States by huge Japanese trading companies which have established branch offices in New York and other major U.S. cities. These offices buy a wide range of U.S. products: coal, cotton, textiles, foods, industrial machinery, consumer goods, etc. In addition to Japanese trading companies, a handful of European-based companies have also established buying offices in the United States.

   Example: *Mitsui & Co. (U.S.A.), a subsidiary of the Japanese-based international trading company, was asked to purchase soybeans. The New York office located a U.S. supplier, placed the order, and handled all the details of the export shipment to Japan. The U.S. supplier was paid in U.S. dollars from a U.S. bank.*

4. *U.S. export merchants who buy for their own account.* Thousands of U.S.-based export "middlemen" purchase and export goods to foreign buyers. They are called export merchants or jobbers, and they are similar to domestic wholesalers or jobbers except they sell abroad. Some are large, some are small, and while they cover all industries, they are most prevalent in exports of general merchandise and consumer goods. Some are even domestic wholesalers or distributors that have established special departments to handle sales to foreign buyers. Others only export and do no more than sell to customers in a few countries abroad.

   Example: *Middle East Traders, Inc., is a Washington, D.C.-based export merchant. A contractor based in Kuwait, building a hospital, requested Middle East Traders to buy much of the equipment for this hospital. Middle East Traders located suppliers in the U.S., placed orders, and arranged for all the export details.*

5. *Large foreign companies with offices in the United States.* In addition to the huge trading companies mentioned above, many foreign corporations maintain their own U.S. offices. These offices purchase from U.S. suppliers, and usually handle all the shipping and export details.

Example: *AGIP-USA is the New York-based office of AGIP, one of Italy's largest corporations. AGIP-USA recently was asked to purchase instruments for a new AGIP nuclear plant in Italy.*

6. *The U.S. military abroad.* Last year post exchanges (PX's) located overseas sold over a billion dollars worth of U.S. merchandise to overseas U.S. military personnel and their dependents abroad. Most orders for goods are placed in the United States, and shipping details are arranged by the Department of Defense.

   Example: *The U.S. military in Germany wished to purchase ethnic cosmetics to sell in their many PX's in Germany. This requirement was forwarded to specialized buyers located in Dallas, who identified potential suppliers, placed the order, and arranged for payment and shipment.*

7. *U.S. manufacturers supplement their own product lines.* Some U.S. manufacturers seek out products made by other U.S. companies on an exclusive basis to round out their own export product line. For example, a manufacturer of portable electrical drills may also export a line of drill bits that he does not make. This is called "piggybacking."

   Example: *American Standard, Inc., is a large and successful manufacturer of plumbing products. Not only does American-Standard export its own line of fittings and fixtures, but it also exports valves and other related equipment made by other U.S. suppliers. This arrangement benefits not only American-Standard, but also foreign distributors and other U.S. suppliers.*

8. *The United Nations buys.* Not all United Nations agencies purchase merchandise, but the United Nations Development Programme (UNDP) underwrites annual equipment purchases of about $50 million. The UNDP prefers to have the manufacturer handle the foreign shipment. But for smaller manufacturers who lack exporting experience the UNDP will organize the shipping and pay the manufacturer in dollars from a New York bank.

   Example: *The Food and Agricultural Organization (FAO), a UN agency, sponsored a fish processing plant in Nigeria. About $130,000 in equipment was needed. Bids were solicited from U.S. firms. Equipment from U.S. suppliers was shipped to New York, where the UN arranged for export to Nigeria.*

9. *Foreign governments purchase U.S.-made goods and services.* About 25 foreign governments have established offices in the United States to buy everything from military hardware to peanuts. Some nations, in particular the newer ones in Africa, buy a wide range of products.

   Example: *The Republic of Korea has established buying offices in San Francisco, New York, and Washington. Their office in San Francisco was asked to locate a supplier of rice, and purchase rice in bulk for export to Korea.*

10. *Many foreign department stores buy U.S.-made products.* Some have established their buying offices; many others utilize the services of "resident" buying offices to place orders for them.

    Example: *Takishimaya, one of Japan's largest department stores, maintains their own buying office in New York to seek out U.S.-made goods that are likely to sell well in their Tokyo store. Recently they were asked to purchase Indian craft items, including jewelry. Suppliers shipped the merchandise to a west-coast warehouse where the buying office arranged for shipping to Japan. Suppliers were paid from accounts maintained by Takishimaya in U.S. banks.*

11. *Many foreign buyers visit the United States to locate and even purchase U.S. goods.* Most come to see individual suppliers; however, many schedule special trips to coincide with trade events. The U.S. Department of Commerce actively supports these foreign buyers.

    Example: *Executives from Dutch automotive supply firms visited the International Automotive Service Industries Show in San Francisco. These visitors purchased $100,000 worth of U.S. goods during and after the show.*

OBVIOUS ADVANTAGES OF SELLING TO THE U.S.-FOR-EXPORT MARKET. Selling to export buyers located in the United States—who want your product—has three main advantages:

1. You can sell to these customers usually at the terms you normally offer your present customers. In some cases, you might be paid in advance. Normally, you will be paid in dollars, from an account in a U.S. bank.
2. You'll be able to ship your products to a location in the United States. This frees you from special documentation normally associated with export shipments. The export buyer arranges for the export of your product.
3. You can contact this $30 billion "U.S.-for-export" market with your own domestic marketing organization. You won't need foreign sales specialists.

BUT IT WILL BE HARD WORK. It may be difficult to uncover and identify the U.S.-for-export segment that best suits your needs. And finding the specific export buyer that will purchase your products also may not be easy. But if you approach the U.S.-for-export market with commitment, patience,

and perseverance, then your chances of success will be excellent. On the other hand, don't approach this market unless you are certain you can deliver to new customers. New customers anywhere, domestic or export, will not place repeat orders if you have problems in either product quality, production, or meeting delivery schedules. And you might not get the first or "trial" order if export buyers sense any of these problems.

NOTE WELL. U.S. export buyers do not care if suppliers are minority-owned or not. However, if the supplier is new, or small, then these buyers may equate newness or smallness with potential supplier problems. The main question in the buyer's mind, whether located in the United States or abroad, is "can the supplier deliver—on time?"

THEY'LL BE LOOKING FOR YOU. Most U.S.-for-export buyers have purchasing needs that can only be satisfied by seeking out U.S. suppliers. Thus, you may be contacted by one of them. However, the chances of getting business will be increased significantly if you mount a modest marketing effort to try to reach them. This volume describes each segment in detail, describes how buyers purchase, and gives tips on tapping each market segment.

CHAPTER II

LARGE CORPORATIONS PURCHASE BILLIONS OF DOLLARS WORTH OF U.S.-MADE GOODS FOR USE BY THEIR FOREIGN AFFILIATES

U.S. COMPANIES WITH FOREIGN OPERATIONS MAY NEED YOUR GOODS FOR THEIR FOREIGN PLANTS OR CUSTOMERS. This chapter describes an important segment of the U.S.-for-export market—large corporations, the General Motors, the Caterpillars, the DuPonts, the ITT's. Your firm may already number these companies among your present customers. If so, you may even be supplying your products to their overseas facilities.

Example: *A Cleveland-based firm makes molded rubber products. General Motors is one of their best customers. GM headquarters has placed orders with the firm for products which will be needed in some of GM's foreign plants. The Cleveland firm doesn't need an export department at this time. It ships the products to a U.S. location, invoices General Motors' headquarters, and gets paid in U.S. dollars from a U.S. bank. General Motors handles all the export details.*

Like GM, some 3,500 U.S. companies have established subsidiaries in foreign countries. In fact, over 25,000 such facilities (called plants, factories, subsidiaries, foreign branches, etc.) now exist. They require a large volume of U.S.-made goods. It's estimated that one of every four shipments of manufactured goods exported from the United States goes to a foreign firm partly or entirely owned by a U.S. corporation. These foreign affiliates may need:

1. U.S.-made machinery or other equipment to make or test their own products.
2. U.S. components to incorporate into their own finished product.
3. U.S. raw materials for use in their factories.
4. U.S.-made finished products to sell along with their own products to round out their line.

While some products required by the foreign affiliates may be produced by a U.S. division or subsidiary of the parent corporation, other U.S. firms will also be major suppliers like the firm mentioned above. And it's not unusual for the foreign subsidiary to need goods that are not used in the U.S. operations of the parent corporation. In most cases, the foreign subsidiary will ask its U.S. parent company to buy the product and arrange for shipment.

This market segment is a potentially lucrative one for minority-owned companies. Some reasons for this:

1. It's a large export market segment. Purchasing executives in these large corporations buy annually $15 billion of U.S. manufactured goods. And normally these large corporations handle all the export details.
2. Most large corporations want to increase the number of minority-owned vendors.
3. These large corporations may already buy your product, but only for the domestic side of their huge operations. If they are your customer already, selling them for their foreign needs may be easy.

PURCHASING HABITS VARY FROM FIRM TO FIRM. Unfortunately no purchasing pattern exists. Every company seems to have evolved its own methods of purchasing U.S. goods to meet the requirements of its foreign affiliates. Here are three of the more prevalent methods:

1. In some corporations, the needs of foreign plants may be handled by a product purchasing specialist who buys for the U.S. plants as well. If you are presently selling to a corporation whose purchasing is organized in a similar manner, chances are you're already supplying goods for foreign plants.
2. At others, a separate international buying group located within the headquarters purchasing department has the sole responsibility to buy for the foreign plants. Successful selling depends upon reaching the international buyer whose office may be across the aisle from the domestic buyer.
3. In some cases, purchasing requirements for foreign subsidiaries are handled by a separate buying group within the company's international

operations. In this case, the buyer may even be located in a different city from the domestic buyer.

Even if you presently sell to large corporations, don't assume the "international" buyer will know about your company or your products.

YOU DON'T NEED TO BE AN EXPORT EXPERT. Remember, when you sell to a large corporation buying for its own foreign affiliates:

1. Your goods are shipped to a location in the U.S. You don't have to worry about special packing, or complicated paperwork. The U.S. parent corporation handles these details when it ships the goods to its foreign affiliate.
2. You won't have to worry about receiving payment in foreign currency. And there's practically no risk of nonpayment, provided you meet their requirements.

SELLING THEM REQUIRES DIGGING. The large corporations which have been asked to purchase for their foreign affiliates naturally do not wait for vendors to contact them. If it's a product that's been purchased before, the corporation reviews its vendor lists. If it's for a product not previously bought, the purchasing executive uses a variety of methods to identify potential suppliers.[1] Thus, there's a chance you may be contacted by the large corporations based on their research.

However, chances for getting this "export" business will be improved if you take action yourself. Contact them. Don't wait for them to contact you. Here are some suggestions on how to do this:

YOUR PRESENT CUSTOMERS MAY NEED YOUR PRODUCTS FOR THEIR FOREIGN AFFILIATES. Ask your large corporate customers what their international requirements are. Find out how they buy for their foreign affiliates.

1. List your customers you believe are likely to have international operations. Don't overlook customers that are divisions or subsidiaries of large corporations. Some may appear to be "small" firms, but in reality are part of industrial giants.
2. Either telephone or write to the individual (or department head) who normally places orders for your products. Ask if they handle foreign requirements for your product. If not, ask for the proper department and address. (Don't be surprised if some are uncertain—domestic purchasing agents aren't always familiar with international needs.)
3. Write or telephone the appropriate individual. Find out the international requirements for products such as yours, how they're purchased, and what procedures to follow as a potential supplier. Be sure to mention that you presently sell to their U.S. facilities.
4. Develop your sales plan!

[1]Purchasing executives rely heavily on product directories (Buyers Guides) to identify potential suppliers. For information about directories and how to get listed, see Chapter XIII.

SOURCES TO IDENTIFY FIRMS WITH INTERNATIONAL AFFILIATES

You'll find several references to help you identify large international firms. Most can be found in a good business library.

1. *Fortune Double 500 Directory* lists the top 1,000 U.S. manufacturing firms—practically all international in scope—ranked by sales. The directory includes a separate industry and product index. Available ($4) from *Fortune Magazine*, Room 1828, Time/Life Building, New York, N.Y. 10020.
2. *Directory of American Firms Operating in Foreign Countries*. Identifies those U.S. firms which have foreign affiliates. Available from World Trade Academy Press, 1 West 39th Street, New York, N.Y. 10018.
3. *Standard U.S. business directories such as Moody's Index, Thomas Register, Standard and Poor's*, and *Dun and Bradstreet's Million Dollar Directory*. Most of these directories identify the location of the firm's headquarters and the address of the various manufacturing divisions.

TIPS ON SELLING LARGE CORPORTATIONS

Many large corporations are doing their best to locate potential minority-owned suppliers. Here's how to make their job easier:

1. Register your company and products with the National Minority Purchasing Council. A computer bank of qualified minority-owned firms has been established. For information, contact National Minority Purchasing Council, 1925 K Street, N.W., Washington, D.C., Telephone (202) 466-7077.
2. Write to the Small Business Administration (SBA) about having your company's qualifications listed in their computer-based file. Contact: Office of Minority Small Business Affairs, Small Business Administration, Washington, D.C. 20416.

GETTING NEW CUSTOMERS. Other large international corporations may not be your customers, but may be buying products similar to yours for their foreign affiliates. Here are some steps you might follow to "tap" this potential:

1. Make a list of corporations likely to need your product. Remember, only 3,500 firms have foreign affiliates. The box above describes sources to help identify these firms.
2. Write the headquarters of these corporations for information about their international requirements for products similar to what you make, and how they're purchased. Since all these corporations will be large, you may want to address the letter to the attention of the Purchasing Department, but send copies to others within the corporation. For example: the president and the minority business coordinator.
3. Remember, the more knowledgable you are about the operations of the potential customer, the more likely the chance of a successful sale. One source that can assist you in learning about large corporations is their annual report. Most companies write about their foreign operations in the annual report. You can get it by writing to the company's public relations department.
4. Develop your sales plan!

TO SUM UP: A LARGE MARKET POTENTIAL WITHOUT NORMAL EXPORT HEADACHES. Large U.S. corporations who purchase U.S.-made goods for their foreign affiliates represent a potentially large "export" market for U.S. manufacturers. Vendors normally don't have to worry about export paperwork or complicated shipments. Payment terms are no different from your best customers. Successful sales, however, depend upon reaching the appropriate buyer. This executive may not be the same one purchasing goods for the company's U.S. facilities. And remember, even if the company doesn't need your product for its U.S. facilities, a foreign affiliate might need it.

TELEPHONE CALLS TO PURCHASING DEPARTMENTS?

A telephone call may not be the best way to find out information. Purchasing executives are usually busy and frequently unwilling to answer casual telephone inquiries. In all probability, they'll say "Write us a letter."

TIPS ON WRITING TO LARGE CORPORATIONS

1. It's not essential to have the name of a specific individual within the corporation. Letters can be directed to the attention of a particular department, or a particular title. For example: Attention—Purchasing Department or Attention—Vice President, Purchasing.
2. Since these companies are large, with many different departments, divisions, and subsidiaries, don't hesitate to send copies of your letter to several departments within the corporation.
3. Briefly describe your products. Ask whether the company has need for these products in their foreign affiliates and if so, how they are purchased.
4. State that you are a minority-owned company. (You might want to send a copy of your letter to the firm's minority business coordinator. Most large firms have one.)
5. List some of your present customers. (This is important!)

CHAPTER III

"PIGGYBACKING"—WHEN ANOTHER MANUFACTURER EXPORTS YOUR PRODUCT FOR YOU

This chapter will be helpful to manufacturers of virtually any type of industrial or consumer product.

MANUFACTURERS MAY WANT TO EXPORT YOUR PRODUCT. An estimated 10,000 exporting manufacturers (about one-third of the total) not only export their own products, but also sell selected items made by other U.S. firms.

1. The exporter may need additional products in order to sell a "package" in foreign markets.

   Example: *The Kewanee Boiler, Inc., makes an industrial steam and water boiler. Users also require pumps and valves. In the United States, the customer normally purchases these accessories separately; however, in many foreign markets customers want to buy the boiler, the pumps, and other accessories from one source. It's easier for them to do this. Therefore, Kewanee's export department purchases U.S.-made pumps and valves to satisfy their foreign customers' needs for "one-stop" shopping.*

2. Foreign customers may have asked the exporter to obtain specific merchandise not available in their markets.

   Example: *Ets. Diab, a large Lebanese distributor of building products, couldn't find a certain brand of relay switches in the Lebanese marketplace. They asked the export department of Westinghouse Electric, one of their U.S. principals, to purchase this product for them.*

3. Some U.S. exporters want to sell additional products in foreign markets to increase their total export sales. In some cases, U.S. exporters will ask the manufacturer to make a line with the exporter's brand name.

   Example: *The export division of American Standard, Inc., a leading manufacturer of plumbing fixtures, has a well-established network of agents and distributors in world markets. American Standard found they could sell related products made by other firms through this same export distribution channel for little additional expense. Thus, they sought out complementary products to add to their own line.*

As noted in the first two examples, exporters may deal with other manufacturers on an order-to-order basis. But sometimes as the third example describes, the export effort may be ongoing, and even formalized by an agreement between the exporter and the manufacturer. This is called "piggybacking."

LIMITED POTENTIAL FOR MINORITY-OWNED MANUFACTURERS. This market segment is not nearly as large as the one discussed in the previous chapter. Nor is it as easy to tap. But it does offer two kinds of opportunities. First is the possibility of selling to an exporting manufacturer on an order-to-order basis. Secondly, the manufacturer may be willing to add your products to his regular export line. In either case, your goods will be shipped to a U.S. location. Payment terms will be similar to domestic terms.

SELLING ON AN ORDER-TO-ORDER BASIS. Exporting manufacturers buying another firm's products on an order-to-order basis have varying purchasing patterns.

1. In some firms, usually the larger ones, the purchasing executive will be part of the export department. (And the domestic purchasing department may not be aware of the export department's needs.)
2. In other firms, the export department relies on the domestic purchasing department.

Naturally, the manufacturer will be looking for suppliers. It's essential, then, that your product be listed in appropriate supplier directories. (See Chapter XIII for a discussion on directories and how to get listed.) But the interested minority-owned firm may want to contact a select number of these exporting manufacturers who "piggyback" for other companies.

Here are some suggestions to follow up on the potential opportunity of obtaining occasional orders from existing exporters.

1. Contact, by telephone or mail, the export department of your present customers. If telephoning, ask the switchboard for the export manager; if writing, address your letter "Attention—Export Manager." (Note: you may find that customers who are large firms may have a centralized export division which handles exports for many divisions.)
2. Find out if your product is needed. If so, ask how best to proceed.
3. Develop your sales plan!

OPPORTUNITIES FOR PIGGYBACKING. An exporting manufacturer might be interested in piggybacking another firm's products for two reasons. First, exports to existing markets can be increased at little additional expense. And relationships with foreign customers can be solidified by satisfying their requests for additional products. Secondly, in new foreign markets, potential customers may be easier to attract with a more complete line.

There are potential disadvantages to the manufacturer whose products are piggybacked. Your products are subordinate to the piggybacker's own product line. Thus, they may not be promoted as aggressively. The exporting manufacturer may feel greater loyalty to his own wares—and he may be under greater pressure from his management to export his own products.

The decision to piggyback normally is made by the export sales manager. In most cases, he determines the products needed and he seeks out potential suppliers. In some cases, a manufacturer may approach the exporter hoping to convince the exporter to piggyback his product.

AT WHAT PRICE DO YOU SELL? Most exporting manufacturers who are serious about piggybacking will ask for an extra discount beyond your best distributor price. This may be justified if the exporter plans to heavily promote your products in foreign markets. Other exporters will ask only for your distributor price. Normally, your domestic payment terms will be acceptable, but some piggybackers may ask for additional time to pay, because their foreign customers have delayed paying them.

SALES ARRANGEMENTS. The exporter may request a formal contract. Some, however, will only want a letter of understanding. A few may not wish to be tied down by any formal arrangement, but you should demand a letter of understanding as a minimum.

The following section gives suggestions on how to approach a piggybacker, and what to do if he approaches you about piggybacking.

FINDING A PIGGYBACKER WON'T BE EASY. Many manufacturers only want to export their own products. Others who offer to piggyback may not be willing to promote your products as aggressively as their own.

1. Limit your search to your own industry, and remember the prime requirement of piggybacking: the exporting manufacturer must have a well-established foreign sales network in which your product fits.
2. Contact your industry's trade associations.[1] Their executives will know firms active in export, and can suggest potential piggybackers.
3. Contact trade magazines in your industry.[2] Their editors are knowledgeable and may help you select the best firms to approach.
4. Contact the nearest district office of the U.S. Department of Commerce. Check your local telephone directory for the number. Ask for the director, who may be able to give you leads, or at least suggest additional sources. (A listing of offices appears on page inside back cover.

Note well: Companies interested in finding an exporter to "piggyback" their products should also consider using an Export Management Company (EMC). This arrangement is covered in detail in PART THREE of this Handbook.

CONTACTING PIGGYBACKERS. After developing your list, write a letter. A sample is given in the box on page 16. The following points are important.

1. A description of your product line.
2. A partial listing of your customers.
3. Some evidence of your reliability as a supplier.
4. Description of how you sell in the United States.

WHEN YOU MEET FACE TO FACE. If the potential piggybacker manufacturer is interested, his export manager most likely will write or telephone suggesting a meeting. At this meeting, he will want to know more about your company, products, competitors, customers, availability of promotional material, and pricing. You should be interested in information about:

1. What products the firm now exports.

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[1] *The Encyclopedia of Associations*, published by Gale Research Company, Book Tower, Detroit, Mich. 48226 lists associations for each industry. A good business library should have this publication.

[2] *Business Magazines Rate & Data* lists 4,000 trade publications covering 132 industry categories. It's published by Standard Rate and Data Service, Inc., 5201 Old Orchard Road, Skokie, Ill. 60076. Most business libraries carry this publication.

2. How your product will be promoted—in particular, who will handle your product, how often does he travel abroad, etc.
3. Type of distribution used in major foreign markets.
4. Export pricing policies.
5. Identification of other firms being piggybacked. (Check with these firms to find out if they are happy with the arrangement.)
6. Estimated amount of export sales for your product.
7. Countries covered by the exporting manufacturer. Be sure to find out if he covers Canada and Puerto Rico, potentially important markets but ones that some manufacturers consider domestic markets.

SHOULD YOU HAVE A CONTRACT? If there's a mutual interest, you should insist at least on a letter of understanding. The important points to cover:

1. Set the time of the agreement. Don't get stuck with an arrangement which would hinder your ability to establish your own export effort, or which you couldn't change if dissatisfied with the exporter's performance.
2. Check over the pricing structure. Consider an extra discount if the manufacturer agrees to promote your product, or if you believe a lower price would result in additional sales volume for your product.
3. Ask for exclusivity. You won't want the exporting manufacturer to handle your competitor's product.
4. Countries covered. Be certain to find out what countries the piggyback covers. In large corporations, foreign factories may have been established in several foreign countries, and the export department is not permitted to sell in those countries. If this is so, you'll want to either sell yourself in these markets, or try to find another piggybacker.

TO SUM UP: PROFITABLE BUSINESS CAN RESULT. The manufacturer willing to spend time in identifying potential piggybackers, and in following up with a select number, can get additional sales. Again, no special export expertise will be needed. But remember, your products may play "second fiddle" to the exporter's own products. Another alternative to consider is using an Export Management Firm, a possibility so important that we have discussed it in a separate section of PART THREE.

YOUR COMPANY, INC.

111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(THIS IS A SAMPLE OF A LETTER THAT COULD BE SENT TO A "PIGGYBACKER")

ABC Manufacturing Company
333 Main Street
Hometown, Virginia 22101 USA

Gentlemen:

We are seeking a firm such as yours to "piggyback" our line of laboratory scales in export markets. Your name was suggested by (name source). Enclosed is literature describing our scales which may complement your line of laboratory glassware.

In the United States we use manufacturer's representatives to sell to scientific instrument supply houses and directly to large users in the chemical process industry. Our customers include such large companies as (name them). We deal with over (name number) supply houses throughout the United States. Our annual sales have grown to $XXX,000 in the 10 years we have been in business.

Our product line might fit well into your existing export distribution channels. If you are interested, we would be pleased to meet with representatives of your firm to discuss the possibility of export sales. Don't hesitate to telephone if you would like additional details.

Sincerely,

Nelson T. Joyner, Jr.
President

CHAPTER IV

SELLING TO LARGE FIRMS WHO DESIGN AND BUILD FOREIGN FACILITIES

This chapter will be hjelpful to manufacturers and distributors of industrial products.

ANOTHER BILLION DOLLAR U.S.-FOR EXPORT MARKET SEGMENT. This chapter discusses the huge purchase of U.S. equipment by firms such as Fluor Corporation; Bechtel, Inc.; Kaiser Engineers; the Lummus Company for plants and other facilities which they build in foreign countries.[1] Some of these firms also have the capacity to design as well as build.[2] These firms (which we call designer/builders) have a "turn-key" capability. This means they could sell and deliver a ready-to-operate plant. Their customers need only to "turn the key" to start up operations.

Sometimes the owners of the projected installation will buy all the material needed for the installation. But more frequently the designer/builder will purchase, arrange for shipping to the project site and then build the installation. Such firms purchase over $2 billion in U.S.-made goods for use in multi-million dollar projects under construction in foreign countries. And there are probably no more than 75 firms which account for most of the business. These foreign projects represent about 20% of the U.S. designer/builders total work. The box on page 23 lists typical projects undertaken by designer/builders.

In this chapter, we also discuss a specialized segment of this market: companies which prefabricate homes and other buildings. A growing number of these firms have been getting orders from foreign customers, in particular those from the oil-rich Middle East. These firms purchase a large volume of U.S.-made products for their prefabricated homes.

HOW DESIGNER/BUILDERS PURCHASE. Purchasing is a vital part of the project.

1. Frequently, a designer/builder works on a fixed price basis. Thus, the cost of purchased materials is important.
2. Delivery schedules are critical. If a supplier fails to keep to his promised shipping schedule, this can cause delays in the project's completion. The designer/builder's customer often invokes a contract "penalty" clause if the project is not completed by a specific date. Thus, the designer/builder's procurement executives expedite shipment.
3. Careful attention is given to material specifications. Designer/builder firms (and owners) cannot tolerate product failures in these projects. *Product reliability is vital.*

DESIGNER/BUILDERS MAY NOT ALWAYS BUY IN THE U.S. If a U.S. designer/builder gets a contract to build a project abroad, he may not purchase U.S.-made equipment. First, the owner's wishes must be considered. A German oil company, contracting with a U.S. designer/builder for a new refinery, may insist on German products wherever possible. Secondly, the wishes of those involved in financing (particularly if it's government financing) may be critical. The Japanese government might loan money to a foreign steel manufacturer provided that the proceeds of the loan are used to buy Japanese equipment.[3]

[1]Two types of firms make up the segment. First, general contractors—typically large organizations building hospitals, schools, offices, etc. and projects such as ports, roads, and dams. Second, constructors who build plants: steel mills, oil refineries, textile mills, etc.

[2]Some firms known as Architect and Engineering (A&E) firms function *only* as designers of buildings and projects. They're not involved in the construction phase and hence don't purchase. But they are important because they specify what will be purchased, sometimes by brand-name.

[3]The Export-Import Bank of the U.S. is an agency of the U.S. government which makes or guarantees loans to foreign firms for the purchase of U.S. equipment.

TYPICAL FOREIGN PROJECTS AWARDED TO U.S. DESIGNER/BUILDER FIRMS

Type Project	*Owner*	*U.S. Designer/Builder*	*Estimated Value*
Tehran International Airport Iran	Government	Tippetts-Abbett-McCarthy-Stratton*	$ 1 billion
LNG Facility/Ammonia Plant Algeria	Sonatrach	Pullman-Kellogg	$ 1.3 billion
Housing/Medical Facilities—Saudi Arabia	Government	Blount Bros.	$120 million
PVC Plant Canada	Diamond Shamrock	C.F. Braun & Co.	$ 50 million
Railroad (expansion) Surinam	Government	Morrison-Knudsen	$ 60 million

*NOTE: This firm functions as the Architect and Engineer. It designs the project and supervises the General Contractor for the client.

And finally, the wishes of the designer/builder may be critical. As sophisticated purchasers, the firm may "shop" several countries to find the best quality at the best price.

PURCHASING PATTERNS VARY. Purchasing patterns vary from firm to firm, and from project to project.

1. In some designer/builder firms purchase of specific products is the responsibility of a specialist buyer, whether the products are destined for a foreign project or one being built in the U.S.
2. In other designer/builder firms, a buyer may purchase only for foreign projects. This buyer may be located in the same office—even across the aisle from his domestic counterpart—or he might be thousands of miles away in another office.
3. And sometimes purchasing responsibility may change from project to project. The buyer might be located in the U.S. or overseas.

NOTE WELL: All designer/builder firms keep extensive supplier (vendor) files. Through the years, lists of approved suppliers have been developed for their "acceptable" bidder lists. These suppliers will usually be asked to submit bids when the designer/builder firm is awarded a contract to build a facility abroad.[4] As one executive of Lummus puts it, "We give those on our bid list enough information on the equipment required so they can send us a responsive bid, not only on price but on delivery as well." The very large designer/builders rarely need supplier directories. They are aware of potential suppliers anywhere in the world for the components and machinery they will need for the foreign projects. In addition, as one executive says, "We classify all suppliers on their responsiveness to delivery, price, and product quality."

TAKING ADVANTAGE OF THIS MARKET. You don't need to be an export expert. Normally you ship to a U.S. location, and payment terms are similar to the terms of your industry. Some U.S. designer/builders are trying to give more business to minority-owned firms. But not quite to the extent that you'll find among the large manufacturers discussed in Chapter II.

HOW TO SELL THE MARKET. Make sure the important designer/builders know about your products. Try to get on their approved supplier list. Secondly, once you are on their list, an additional "selling" campaign may be appropriate on specific projects.

GETTING ON THEIR APPROVED SUPPLIER LIST. Designer/builders constantly look for qualified suppliers. They may know you already. If so, provided you've proven to be reliable, they probably now notify you about all their projects, foreign and domestic.

[4]Sometimes, the material specifications developed by the designer of the project are so "tight" that the material to be used is specified by brand name. It's important for potential suppliers to "sell" the designers as well!

If you're not on their list as yet, here are some steps to follow:

1. Develop a list of the leading designer/builders. It's not hard; remember, there are no more than 60 doing most of the international business. The box on page 21 identifies the important ones.
2. Contact these firms. A letter will be the best approach. Be specific about your product, your experience in dealing with designer/builder firms, and your company's capabilities. (See the box on page 22 for a sample letter to a designer/builder firm.)

THE TOP DESIGNER/BUILDERS: HOW TO FIND THEM

About 60 firms design and/or build the lion's share of foreign projects awarded to U.S. firms. Another 100, who only design facilities, get most of that business. Here are some sources to identify these firms:

1. The National Constructor's Association (NCA), the major association of builder firms. Forty-eight of the largest are members. Their membership directory is available for the asking. NCA's address: 1101 15th Street, N.W., Suite 1000, Washington, D.C. 20005.
2. *Engineering News-Record,* a weekly McGraw-Hill publication, annually surveys U.S. designer/builder firms. Those who have international work are included in either the *ENR 500 Design Firms* or the *ENR 400 Largest Construction Contractors.* They're available for $1 each from the Reprint Department, Engineering News-Record, P.O. Box 692, Highstown, N.J. 08520.
3. American Consulting Engineers Council (ACEC), the major association of designer firms. One hundred of the largest are members of the association's international division. Their international engineering directory (about $10) lists firms, type work, past projects, and principal executives. ACEC's address: 1155 15th Street, N.W., Washington, D.C. 20005
4. Associated General Contractors of America (AGC), an association of firms that build roads, dams, bridges, etc. A special international directory (about $15) lists 24 of the largest general construction firms and includes a description of their activities. AGC's address: 1957 E Street, N.W., Washington, D.C. 20006.
3. If the designer/builders are interested in your products, prepare for a personal visit from their executives. An executive of Lummus says, "We visit all firms we seriously consider as approved suppliers. We want to evaluate their production facilities, and their labor force. We want to be positive they can build the equipment we need and deliver it on time."
4. Develop your sales planner!

FINDING OUT ABOUT FOREIGN PROJECTS. Once you're an approved supplier for designer/builders, you'll get requests from them to furnish bids on use of your products, when necessary, in foreign projects. However, if you want to boost your chances in getting business from them, you may want to consider some market research of your own. It's particularly important if yours is a unique product, not likely to be readily specified in the design phase. Here are some steps to follow:

1. Develop an intelligence system to identify projects and the designer/builder firm awarded the contract. See the box on page 32 for a listing of sources which could be useful in setting up this system.
2. Develop a follow-up program with specific designer/builder firms who have been awarded contracts for the specific projects. In some cases, they may not need help in specifying your product. In other cases, it may be necessary to sell them on your product's advantages.

THE IMPORTANCE OF FIRMS THAT ONLY DESIGN. Some 80 large U.S. architects and engineering firms are retained by foreign clients to design a wide range of facilities. These firms specify what material will be needed for the construction phase of the project. Sometimes the material is specified by brand name. Thus, if a U.S. firm wants to have a chance of supplying their products for such a project, selling must start early. A&E firms maintain extensive product and supplier files. It won't hurt for firms who want business to send product literature. In some cases, the supplier may be asked to provide application assistance and cost estimates to A&E firms working on specific projects.

A DIFFERENT KIND OF DESIGNER/BUILDER FIRM. In recent years, about 20 firms that specialize in building pre-fabricated homes have been successfully winning foreign business, particularly in the Middle East. For example, Starrett Housing International, a New York firm, completed a "turn-key" project of 6,000 housing units in Iran. A South Carolina pre-fabricated home builder won a $90 million contract for buildings in Saudi Arabia.

Selling to the prefab builders is much like selling to a designer/builder. Prefab builders work from approved supplier lists. It's tough to break in, but it can be done. If you're already on their approved supplier list, your product may already be going overseas. If you're not on their list, here are some suggestions that may be helpful in becoming an approved supplier.

1. Obtain a listing of prefabricated home builders interested in foreign markets. The box on page 24 lists those firms interested in foreign business as of 1976. To update this list, contact the National Association of Building Manufacturers, 1619 Massachusetts Avenue, N.W., Washington, D.C. 20036. Their membership directory is available at a nominal cost.
2. Contact these firms. Describe your products and your company. Express an interest in becoming an approved supplier.
3. Follow-up with those prefabricated builders expressing an interest in your products.
4. Develop your sales plan![5]

WHO'S GETTING THE BUSINESS? It's not easy to uncover those designer/builders who are awarded contracts for foreign projects. However, with some effort, you should be able to develop an intelligence system. We have listed some sources that may prove helpful:

1. The construction trade press. Magazines such as *Engineering News-Record, The Constructor, Construction Equipment and Methods* follow this field. Issues of their magazines identify contract awards.
2. The trade press for particular industries. Magazines directed toward the petroleum industry, the chemical process industry, the textile industry, etc., also identify awards to designer/builders.
3. Announcements of foreign projects which receive loans from the Export-Import Bank of the U.S. These announcements frequently identify the U.S. designer/builders involved with the particular project. All announcements identify the foreign borrower. To be placed on a free mailing list, request an application from: Public Affairs Office, Export-Import Bank of the United States, 811 Vermont Avenue, N.W., Washington, D.C. 20511. Remember, if the foreign owner gets a loan from Ex-Im, he'll have to purchase U.S. equipment.

TO SUM UP: A LARGE BUT DIFFICULT MARKET. Even though designer/builders (and prefabricated home builders) purchase a substantial amount of U.S.-made goods for overseas projects, business is not easy to obtain. Only approved suppliers receive orders. But profitable business is possible for firms willing to devote time and effort in becoming an approved supplier. And advantages exist when these designer/builders "export" your products. You won't have to worry about export shipping and payment details. Selling them will be just like selling your customers in the U.S.

[5]It's beyond the scope of this handbook to go into specific details on developing a sales plan. It should cover, though, your strengths and weaknesses, your sales targets (expressed in measurable terms), and the specific steps you will undertake to reach those targets.

THESE FIRMS DESIGN AND BUILD MULTI-MILLION DOLLAR FACILITIES IN FOREIGN COUNTRIES

Guy F. Atkinson Company
P. O. Box 593
(10 West Orange Avenue)
S. San Francisco, Calif. 94080
(415) 761-0600

The Austin Company
3650 Mayfield Road
Cleveland, Ohio 44121
(216) 382-6600

Badger America, Inc.
One Broadway
Cambridge, Massachusetts 02142
(617) 494-7000

Bechtel Corporation
P. O. Box 3965
(50 Beale Street)
San Francisco, Calif. 94119
(415) 764-5000

C. F. Braun & Company
1000 South Fremont
Alhambra, Calif. 91803
(213) 570-1000

Catalytic, Inc.
1500 Market Street
Philadelphia, Pa. 19102
(215) 864-8000

Combustion Engineering, Inc.
1000 Prospect Hill Road
Windsor, Conn. 06095
(203) 688-1911

Crawford & Russell Incorporated
733 Canal Street
Stamford, Conn. 06904
(203) 327-1450

Davy Powergas, Inc.
P. O. Drawer 5000
Lakeland, Florida 33808
(813) 646-7100

Dravo Corp., Chemical Plants Division
One Oliver Plaza
Pittsburgh, Pa. 15222
(412) 566-3000

Dravo Corp., Engineering Const. Div.
One Oliver Plaza
Pittsburgh, Pa. 15222
(412) 566-3000

Ebasco Services Incorporated
2 Rector Street
New York, New York 10006
(212) 785-2200

Fluor Engineers & Constructors, Inc.
2500 S. Atlantic Blvd.
Los Angeles, Calif. 90022
(213) 262-6111

Ford, Bacon & Davis Const. Corp.
P. O. Box 1762
(3901 Jackson Street)
Monroe, Louisiana 71203
(318) 323-2281

Foster Wheeler Energy Corporation
110 S. Orange Avenue
Livingston, New Jersey 07039
(201) 533-1100

Jacobs Constuctors, Inc.
837 S. Fair Oaks Avenue
Pasadena, Calif. 91105
(213) 681-3781

Kaiser Engineers
300 Lakeside Drive
Oakland, Calif. 94604
(415) 271-2211

Koppers Co., Inc.
Engineering & Construction Division
Koppers Building
Pittsburgh, Pa. 15219
(412) 391-3300

C. E. Lummus Company
1515 Broad Street
Bloomfield, New Jersey 07003
(201) 893-1515

Arthur G. McKee & Company
6200 Oak Tree Blvd.
Independence, Ohio 44131
(216) 524-9300

The Ralph M. Parsons Company
100 West Walnut Street
Pasadena, Calif. 91124
(213) 440-2000

J.F. Pritchard and Company
4625 Roanoke Parkway
Kansas City, Missouri 64112
(816) 531-9500

Pullman Kellogg Co.
Division of Pullman, Inc.
1300 Three Greenway Plaza E.
Houston, Texas 77046
(713) 626-5600

Research-Cottrell, Inc.
Box 750
Bound Brook, New Jersey 08805
(201) 885-7000

Sam Wallace Industrial Constructors, Inc.
2102 Empire Central
Dallas, Texas 75235
(214) 357-4561

Sanderson & Porter, Inc.
25 Broadway
New York, New York 10004
(212) 344-5550

Starrett Housing International, Inc.
909 Third Avenue
New York, New York 10022
(212) 751-3100

Stone & Webster Engineering Corp.
P. O. Box 2325
(245 Summer Street)
Boston, Mass. 02210
(617) 973-5111

YOUR COMPANY, INC.

111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(THIS IS A SAMPLE OF A LETTER THAT COULD BE SENT TO A DESIGNER/BUILDER)

ABC Construction Corporation
Main Street
Hometown, USA

Attention: Vice President, Purchasing

Gentlemen:

As manufacturers of a complete line of chlorinators, heaters, pumps, and rotometers, the YCI Company would like to be considered as an approved supplier by your company. We offer a complete line of heating and metering systems--for solids to solids, solids to liquids, and liquids to liquids proportioning. Our equipment is presently operating in several chemical processing plants in the United States, including (name them). We have sold our equipment to other design/construction firms, including (name them).

Enclosed is a complete sales catalog describing our equipment. We have also included our current price list. We believe we are competitive with products offered by other manufacturers of heating and metering systems.

Our manufacturing facilities consist of a 50,000 square foot plant. We employ 100, and our current annual production is 350 units. Total sales of YCI Company are now $1 million. Our shop is unionized with the AFL-CIO Chemical Workers Union. We have not experienced any strikes or other work stoppages for the past 5 years.

We would be delighted to have one of your executives visit us personally to check on our manufacturing facilities. Don't hesitate to telephone if we can provide you further details.

May we hear from you?

Sincerely,

Nelson T. Joyner, Jr.
President

THESE PREFAB HOME BUILDERS ARE INTERESTED IN OVERSEAS MARKETS

ACORN STRUCTURES, INC.
Box 250
Concord, Massachusetts 01742

Telephone: (617) 369-4111

L.C. ANDREW, INC.
28 Depot Street
South Windham, Maine 04082

Telephone: (207) 892-6731

ATLAS HOMES CORPORATION
P.O. Box 1550
North End Station
Wilkes-Barre, Pennsylvania 18705

Telephone: (717) 829-1911

BOISE CASCADE CORPORATION
MANUFACTURED HOUSING
61 Perimeter Park
Atlanta, Georgia 30341

Telephone: (404) 455-6161

COMPONENT HOMES, INC.
817 South Capitol Street
Iowa City, Iowa 52240

Telephone: (319) 338-5448

COMPONENTS, INC.
4400 Homerlee Avenue
East Chicago, Indiana 46312

Telephone: (219) 397-3950

CONTINENTAL HOMES, INC.
P.O. Box 13106
Roanoke, Virginia 24031

Telephone: (703) 334-5000

DAVIDSON INDUSTRIES, INC.
108 Union Street
Southport, Indiana 46227

Telephone: (317) 787-3211

FABRICON CORPORATION
1780 Rohrerstown Road
Lancaster, Pennsylvania 17601

Telephone: (717) 569-6471

IVON R. FORD, INC.
McDonough,
New York 13801

Telephone: (607) 647-5221

HARVEST HOMES
1 Cole Road
Delanson, New York 12053

Telephone: (518) 895-2341

HERITAGE HOMES, INC.
Southampton Road
Westfield, Massachusetts 01085

Telephone: (413) 568-8614

NEW ENGLAND HOMES, INC.
Box 464
Portsmouth, New Hampshire 03801

Telephone: (603) 436-8830

PERRY BUILDING SYSTEMS, INC.
260 Port Road
Riviera Beach, Florida 33404

Telephone: (305) 844-4388

POLORON HOMES OF PENNSYLVANIA, INC.
74 Ridge Road
Middleburg, Pennsylvania 17842

Telephone: (717) 837-0051

UNION HOMES
Division of Berry Builder Mart
P.O. Box 744
Union, South Carolina 29379

Telephone: (803) 427-5691

WESTON HOMES, INC.
P.O. Box 126
Rothschild, Wisconsin 54471

Telephone: (715) 350-4281

BENDIX HOME SYSTEMS, INC.
61 Perimeter Park
Atlanta, Georgia 30341

Telephone: (404) 458-9421

GENERAL ELECTRIC COMPANY
3198 Chestnut Street
Philadelphia, Pennsylvania 19101

Telephone: (412) 823-4822

REED SUPPLY COMPANY
1100 National Highway
Thomasville, North Carolina 27306

Telephone: (919) 475-2171

SCHOLZ HOMES, INC.
3103 Executive Parkway
Toledo, Ohio 43606

Telephone: (419) 531-1601

TANDY INDUSTRIES, INC.
P.O. Drawer 3188
Tulsa, Oklahoma 74101

Telephone: (918) 585-5611

TAPPAN COMPANY
Tappan Park
Mansfield, Ohio 44901

Telephone: (419) 529-4900

CHAPTER V

SELLING TO THE U.S. MILITARY (AND THEIR DEPENDENTS) STATIONED ABROAD

This chapter will be helpful to manufacturers and distributors of consumer products.

IT'S A BIG BUSINESS. The U.S. Department of Defense (DOD) runs the world's largest retail operation. Each year its military and civilian personnel, plus their dependents, purchase $6 billion worth of consumer goods in military post exchanges (PX's) and Commissaries (military supermarkets). And overseas, the 500,000 DOD personnel and their 350,000 dependents currently stationed outside the U.S. account for a quarter of these goods—$1.7 billion, most of it U.S.-made. The box on page 34 identifies the annual sales overseas in PX's and Commissaries for each branch of the service. DOD calls this the military resale market. And as in most segments of the U.S.-for-export market, suppliers don't have to be export experts. Suppliers usually ship their wares to military warehouses located in the U.S. and the DOD pays by check.

In addition to the overseas PX's and Commissaries, the military resale market abroad also includes officers and enlisted men's clubs. At many larger installations abroad, military personnel have organized audio and/or photography clubs which often purchase equipment for sale to their members.

The range of products needed for the military resale market is extensive. Almost all consumer products found in U.S. drug stores, supermarkets, or discount houses will be sold in Commissaries and PX's abroad. The box on page 24 gives a partial listing of the major product categories, and how much was sold abroad.

Even though orders are placed centrally, the individual facilities look for a certain amount of merchandising support from selected suppliers. The box on page 24 lists the headquarters for each of the services responsible for PX's and Commissaries.

How PX'S PURCHASE. Managers of foreign Post Exchanges have more freedom in selecting merchandise for sale than their U.S. counterparts. In the U.S., only specified merchandise can be sold in U.S. Post Exchanges, and price ceilings are established. Not so abroad. The PX manager chooses the merchandise and orders are placed through central headquarters maintained by the Navy, the Marine Corps, the Coast Guard, and jointly by the Army and the Air Force.

THE MILITARY RESALE MARKET ABROAD—A LARGE MARKET FOR CONSUMER GOODS

PX's and Commissaries abroad sell over one billion dollars worth of consumer goods annually. Listed is the breakdown for each service.

Sales by PX's	*Millions of $*
Army/Air Force[1]	$1,964
Navy	320
Marine Corps	28
Coast Guard	5
TOTAL	$2,317
Sales in Commissaries	
Army	$201
Navy	60
Air Force	136
Marine Corps	8
Coast Guard	1
TOTAL	$406

[1]Note: The Army and Air Force maintain a joint PX system abroad.

Source: *Exchange and Commissary News.*

COMMISSARIES DIFFER. The military determines what type merchandise will be sold in Commissaries. Companies that wish to sell their particular brand of that merchandise must be approved on a master list called "Brand Name Contracts" maintained in Philadelphia, Pennsylvania. Listing is not automatic. Those wishing to be listed must be

PX'S ABROAD DO A BIG BUSINESS IN CONSUMER GOODS

Annual sales of selected product categories in the Army/Air Force PX system and the Navy PX system abroad are large.

Sales To Army and Air Force PX's Abroad

(July 1, 1974 to June 30, 1975)

Consumer Product category	*Sales, in Millions of $*
Sundries (small misc. items)	$170
Civilian Clothing	139
Candy, Beverages	119
Housewares	99
Drug Store Items	50
Tobacco	46
Jewelry	31

Sales of Selected Products in Navy PX's Abroad

(July 1, 1973 to June 30, 1974)

	Sales, in Millions of $
Household Appliances, Accessories	$86
Civilian Clothing	29
Photo Equipment	14
Jewelry	11
Sporting Goods	8
Toys	6
Household Supplies	2

Source: *Exchange and Commissary News.*

NOTE: Ethnic products are popular in the PX and Commissary system, both in the U.S. and abroad.

HEADQUARTERS FOR THE PX AND THE COMMISSARY SYSTEM

Each branch of the military operates its own system for both PX's and Commissaries. Listed below are the locations of the headquarters.

Headquarters for the PX system

Army & Air Force Exchange Service
Red Bird Plaza
Dallas, Texas 75222
Phone: (214) 330-3721

Marine Corps Exchange Service Division
Headquarters, U.S. Marine Corps
Bldg. No. 3074,
MCB Quantico, Va. 22134
Phone: (703) 640-2917

Navy Resale System Office
Third Avenue & 29th Street
P.O. Box Drawer 12
Brooklyn, N.Y. 11232
Phone: (212) 965-5000

Navy Resale System Office, West Coast
Building 310 Naval Supply Center
Oakland, California 94625
Phone: (415) 466-5733

Headquarters for the Commissary System

Army Commissary Stores
Commissary Branch Troop Support Division
Department of the Army (DALO-SMT-C)
Room 1E-573A The Pentagon
Washington, D.C. 20310
Phone: (202) OX 5-9001, OX 7-4322

Navy Commissary Stores
Navy Resale System Store
Third Avenue & 29th Street
Brooklyn, N.Y. 11232
Phone: (212) 965-5000

Marine Corps Commissary Stores
Commissary Store Branch (Code LFS-1)
Headquarters, U.S. Marine Corps
Washington, D.C. 20380
Phone: (703) 694-8616; 1622; 8369

Air Force Commissary Stores
Director of Supply & Serv--ices
Personnel Support Branch
Department of the Air Force
Washington, D.C. 20330
Phone: (202) 697-5672 or 7446

Coast Guard Commissary Stores
Resale Programs Branch Headquarters
U.S. Coast Guard
Room 7124
400 Seventh Street, S.W.
Washington, D.C. 20590
Phone: (202) 426-2094

DOD OFFICES WHICH WILL HELP MINORITY-OWNED BUSINESSES DO BUSINESS WITH THE MILITARY

The Department of Defense is trying to increase its business with minority-owned firms. To help minority-owned businesses sell to the military, the Department of Defense and the various service branches have established special offices to act as a liaison between the military and the minority-owned firm.

ARMY

Army Small Business Advisor
Office of Assistant Secretary (I&L)
Washington, D.C. 20310
(202) OX 7-8113

For the Army/Air Force Exchange System:
Department MR-M
Army/Air Force Exchange System
Dallas, Texas 75222
(214) 330-2120

NAVY AND MARINE CORPS

Special Assistant for Small Business
and Economic Utilization
Office of Assistant Secretary (I&S LOG)
Washington, D.C. 20360
(202) 692-7122

AIR FORCE

Air Force Small Business Advisor
Directorate for Procurement Policy
Washington, D.C. 20330
(202) 697-4126

DEPARTMENT OF DEFENSE

Directorate for Small Business and
Economic Utilization Policy
Office of Assistant Secretary (I&L)
Washington, D.C. 20301
(202) OX 7-1481

DEFENSE SUPPLY AGENCY

Small Business and Economic Utilization
Office
Defense Supply Agency
Cameron Station
Alexandria, Va. 22314
(202) 274-6471

COAST GUARD[1]

Office of Installations and Logistics
Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590
(202) 426-4237

[1]The Coast Guard is part of the Department of Transportation.

qualified. Commissary managers abroad, however, are not always restricted to this list. In addition, the Army and Air Force maintain a Commissary item selection board to determine what merchandise will be sold.

AN INTERESTING MARKET FOR MINORITY-OWNED SUPPLIERS. If you make a popular consumer item, the military resale market is a good one to explore. As a minority-owned firm, you may have a particular advantage. The U.S. government wants to increase the number of minority-owned vendors. To help minority-owned firms obtain business, specific departments have been established to facilitate your reaching proper buying officials. The box above identifies these offices. And if you market an ethnic product, you may have an additional advantage as these are popular abroad.

SUPPLIERS SELL DIRECTLY OR USE A MILITARY SALES REPRESENTATIVE. A company can sell to the military resale market two ways. First, a company can assign its own personnel to market and sell; or secondly, it can use a military sales representative organization which specializes in selling to the military sales market. There are about 300 "military reps." Some companies will use their own personnel in selling to U.S.-based PX's and Commissaries and a military sales "rep" for overseas sales—even though orders are placed in the U.S.

Which is for you? Marketing experts say it's possible for you to use your own personnel to sell to the U.S.-based military market provided you have adequate financial and personnel resources. But it might prove a strain on limited resources and a military sales representative organization (which we'll call

"military reps" in this chapter) may be a better approach for a small firm. But for sales to foreign installations, marketing experts strongly recommend a military rep. Even though shipments are made to U.S. warehouses, successful selling probably requires travel to individual installations as well as to regional exchange headquarters. For example, the joint Army/Air Force Exchange System maintains regional headquarters in Honolulu and Munich. In addition to travel costs, there are the complex regulations pertaining to PX and Commissary sales. These may be difficult to master.

MILITARY REPS KNOW HOW TO MARKET. Military rep organizations are staffed by merchandising and marketing experts. Many have foreign offices. The larger firms handle a full line of consumer goods: food, household goods, health and beauty aids, etc. Some military reps may specialize in selected consumer product categories. The larger firms have offices in Europe and the Far East, while smaller military reps may focus on certain geographic markets. The successful military rep can provide professional marketing and merchandising support. For example, one military rep mounts special in-store promotions tied into military themes, such as an Air Force 28th Birthday Sale, or a Bicentennial Sale. Most military reps are members of the American Logistics Association. The 15 largest military reps formed the Armed Forces Marketing Council. Both Associations are headquartered in Washington. Over 170 military rep organizations are listed at the end of the chapter.

HOW THEY WORK. Most military reps work on a commission basis. Thus, the manufacturer gets orders from the PX or Commissary system and pays a commission to the military rep after receiving payment from the Government. The actual rate of commission may vary according to the product line, but generally is in line with the commission paid to a U.S.-based sales representative organization. Exceptions do exist. The military reps may purchase some products, such as hi-fi components. For these and other products the military rep may actually warehouse abroad, and handle repair and service. Agreements between a military rep and suppliers usually are on a year-to-year basis, and may contain 30-, 60-, or 90-day cancellation privileges.

The aggressive military rep constantly tries to get new lines. Thus, you may be approached by one. They don't have the time or resources to do a thorough search for new suppliers. But if you have a line of consumer products likely to do well in foreign PX's and Commissaries, the military rep will welcome your inquiry. So don't wait for them.

HOW THE MILITARY REP LOOKS AT YOU. Here is how the military rep will evaluate your line and your company.

1. Who are your customers? In particular, what's the acceptance by the 18 to 25 year-old market since the military consists mainly of this age group.
2. How reliable is your company as a supplier?
3. What is your pricing structure? Since PX's and Commissaries are generally large volume purchasers, they look for maximum discounts.
4. What merchandising and advertising support can you provide?
5. Who are your competitors?
6. Who do you sell to now?

HOW YOU SHOULD EVALUATE THE MILITARY REP. Here are questions to raise with the military rep interested in your line.

1. What product lines does he handle? You're looking for a firm that understands how to market your type of product.
2. What companies does he represent? Check these companies to find out how satisfied they are. If your direct competition is represented, look for another rep. A rep which handles many companies may be unable to give you adequate attention.
3. What countries does he cover? Some military reps specialize in Europe, others the Far East, and still others operate on a world-wide basis. It's not unusual for some suppliers to use two or more reps to insure complete geographic coverage.
4. How does he market? How many salesmen does the rep have; where are they located? Who will be personally responsible for your line of products within the military rep organization? What is his background in your type of product? How frequent are sales calls on individual installations, on oversease regional, in stateside headquarters? What merchandising support does the rep have for the PX and Commissary system?
5. Who in the military is familiar with the rep organization? Ask for the names of key PX or Commissary purchasing people. Check them on the military rep's capability.
6. What are commission rates?

TIPS ON TAPPING THIS MARKET. We've listed some steps to consider if you're not yet reaching this important market segment. We assume you will be using a military sales rep organization.

1. Get an estimate of the demand for your product, and how it is purchased in the military resale market. The headquarters for each of the services might give you useful information. The box on page 24 identifies these headquarters. If writing them, send a copy of your letter to the office which helps facilitate minority-owned businesses.

They're listed in the box on page 25. Several other sources may be helpful. Ther're identified in the box on the bottom of this page.

2. Develop a list of military reps which appear to have the capability to sell your products.
3. Contact the American Logistics Association and the Armed Forces Marketing Council. Inform them of your interest in contacting military reps who can handle your line abroad. Describe your lines, and indicate your experience, if any, in selling to the military resale market stateside.
4. Contact military sales reps. If you're writing them, describe your company, your products, in particular who uses them, your customers, and your interest in selling to the military resale market abroad.
5. Follow up with interested reps in a personal meeting.
6. Develop your sales plan!

TO SUM UP: IT'S A BIG POTENTIAL. Large volumes of consumer goods are demanded by U.S. military and their dependents stationed abroad. The military has a well-established network of PX's and Commissaries to serve those stationed abroad. Nearly $1.7 billion worth of consumer goods are purchased, much of it U.S.-made goods and much of it purchased in the U.S. Many of the sales to foreign PX's and Commissaries are made by military reps. Firms marketing consumer goods may find these military reps a good channel to tap this important market. Again, little or no "export expertise" is required.

SOURCES FOR INFORMATION ABOUT THE MILITARY RESALE MARKET

1. Government Guides

Two "How To Do Business" with the PX and Commissary system have been published. *Vendor Facts* is intended as a basic guide for the joint Army/Air Force System. It lists all PX's abroad, items authorized for sale (at least in the U.S.), etc. Available from the Army and Air Force Exchange Service, Red Bird Plaza, Dallas, Texas 75222.

A guide for *Doing Business With the Navy Resale System* serves as an introduction to the worldwide retailing operations of the Navy Resale System. Included: addresses of Navy Exchanges and Commissaries located abroad, and information on becoming a supplier. Available from Navy Resale System, 3rd Avenue & 29th Street, Brooklyn, N.Y. 11232. The Marine Corps and Coast Guard do not have guides.

2. Trade Publications.

Those who sell to the military resale market, and important buying officials in the resale system, subscribe to either or both of the following bi-weekly publications: *Exchange and Commissary News*, P.O. Box 788, 211 Broadway, Lynbrook, N.Y. 11563 and *Military Market*, 475 School Street, S.W., Washington, D.C. 20024. Their editors are knowledgeable about the military resale market, including names of key procurement personnel. For example, *Exchange and Commissary News* annually publishes a worldwide roster of military commissary officers.

3. Consumer magazines.

Overseas Family claims to reach *one-third* of the families who patronize overseas PX's and Commissaries. Also, some of the large U.S. women's magazines, such as *Ladies Home Journal*, have special editions which circulate just to military families abroad. The editorial department of these magazines can provide assistance. (And if your company sells to the Military Resale Market, you may want to consider advertising.)

4. Trade Associations.

The American Logistics Association (formerly called the Defense Supply Association), 1000 Connecticut Avenue, N.W., Washington, D.C. 20036, is the major association with members from both military and industry. A directory of U.S. military resale outlets, listing names and addresses of their buyers, is published annually. Available at nominal cost from the association. The Armed Forces Marketing Council, 955 L'Enfant Plaza North, S.W., Washington, D.C. 20006, is an association of the larger military sales representatives.

THESE FIRMS SPECIALIZE IN SELLING TO PX's AND COMMISSARIES

Military sales reps are sales organizations that specialize in selling to PX's and Commissaries. *Exchange and Commissary News* has provided a listing of military reps. NOTE WELL: Not all handle sales to PX's and Commissaries abroad. Those organizations that are members of the Armed Forces Marketing Council are asterisked. It's likely these military sales reps sell to military facilities abroad.

OVERSEAS

Hong Kong

*Associated Brands, Int'l
P. O. Box 20513
Causeway Bay, Hong Kong

Siber Hegner & Co., Ltd.
P. O. Box 164
Hong Kong

Thaiviet Sales Co.
906 Sutherland House
3 Charter Road
Hong Kong

Japan

Frank Beach
P. O. Box 85
Ginowan City
Okinawa, Japan 901-22

Western Pacific Corp.
Central P. O. Box 42
Naha, Okinawa

Fareast Service Co.
P. O. Box 14
Urasoe, Okinawa

Loyal Trading Int'l Ltd.
507 Dragon Seed Blvd.
39 Queens Rd., Central
Hong Kong

Tradship (Japan) Ltd.
Yoyogi
P. O. Box 38
Tokyo, Japan

Williams Int'l of Japan, Ltd.
Central P. O. Box 807
Tokyo, Japan

H.E. Winters & Associates
P. O. Box 278
Yokohama, Japan

Omni Int'l
Port P.O. Box 90
Yokohama, Japan

Harold W. Hipp
Hipko Associates (Far East) Ltd.
Suite 411, Vila Parto
109 Yamati-Machi
Naka-Ku
Yokohama 231, Japan

Taiwan

Phil Hoerr, Jr.
P. O. Box 28-51 Shihlin
Taipei, Taiwan

Thialand

Associated Sales & Marketing Corp.
Suite 601, 588/3 Petchburi Road
Bangkok, Thailand

England

*Webco, S.A. (England) Ltd.
17C Curzon Street
London W1Y 7FE England

Germany

Comex Service Corp.
7 Franz-Lenbackstrasse 6
Frankfurt/Main S. 10
Germany

Tasco Marketing International
Wolfsgangstrasse 132
600 Frankfurt/Main
Germany

*Trans-European Marketing
25 Feldbergstrasse
6 Frankfurt/Main
Germany

Switzerland

N.A.A.F.E.X.C.O. Freeport
P. O. Box 27
6830 Chiasse 3, Switzerland

North Africa

Olivares Associates
Postal Box 77
Tangier, Morocco

United States

Alabama

Redmond Brokerage Co., Inc.
Box 7503
Mobile, Alabama 36607

Relco, Inc.
P. O. Box 1
Gallion, Alabama 36742

California

Admiral Exchange Co., Inc.
1443 Union Street
San Diego, Calif. 92101

Allied International
149 California Street
San Francisco, Calif. 94111

American Food Brokers
Thor E. Smith Dist. Co.
P. O. Box 778
Palo Alto, Calif. 94302

Anchor Merchandise Co.
405 Tenth Avenue
San Diego, Calif 92101

Bart Sales Company
408 S. Spring Street
Los Angeles, Calif. 90013

Allan Berkell
1504 South Cardiff Avenue
Los Angeles, Calif. 90036

Frank B. Carr, Inc.
P. O. Box 5525
Fullerton, Calif. 92632

Merrill Cichy Assoc.
P. O. Box 162
2464 San Carlos Avenue
San Carlos, Calif. 94070

Dixon Marketing West, Inc.
1485 Bayshore Blvd.
San Francisco, Calif. 94124

Exchange Distributors, Inc.
633 W. Market Street
San Diego, Calif. 92101

F. L. Foley Co.
1245 Centre Avenue
San Pedro, Calif. 94901

Martin Frankel
1385 Lasuen Drive
Millrae, Calif. 94030

E. R. Fredericks
1520 State Street
San Diego, Calif. 92101

Ed Graham Co.
367 W. Seventh Street
San Pedro, Calif. 90731

The Hosford Co.
P. O. Box 570
Lafayette, Calif. 94549

Alan Jensen Sales, Corp.
725 Second Street
San Francisco, Calif. 94107

Sid Justice Co.
1485 Bayshore Blvd.
San Francisco, Calif. 94124

John K. Kealy Co.
455 S. Westmoreland
Dallas, Texas 75237

Kennedy Sales Co., Inc.
135 South Park
San Francisco, Calif. 94107

Lester D. Lawson
100 E. Ocean
Long Beach, Calif. 90802

Liberty Marketing Int'l
1485 Bayshore Blvd.
San Francisco, Calif. 94124

Military Marketing Service, Inc.
3303 Harbor Blvd., Bldg. J-1
Costa Mesa, Calif. 92626

Military Sales Co.
403 Via Montego Avenue
San Clemente, Calif. 92672

Modglin Co., Inc.
1650 Flower Street
Glendale, Calif. 91201

Barbara Moore
2700 Via Montecito
San Clemente, Calif. 92672

Phoenix Sales Co.
36 Dominican Drive
San Rafael, Calif. 94901

* Julius Rothschild Co.
1000 43d Street
Oakland, Calif. 94608

E. B. Schwinger & Co.
22 California Street
San Francisco, Calif. 94111

Steinau-Glaser Co.
25 Division Street
San Francisco, Calif. 94103

Thomson Sales Co.
P. O. Box 187
San Leandro, California 94577

United Sales Associates, Inc.
2050 Pioneer Ct., Box 943
San Mateo, Calif. 94403

West-Pac Associates
P. O. Box 583
Millbrae, Calif. 94030

V. A. Wickberg & Associates
6636 Fireside Avenue
San Diego, Calif. 92123

Tom Williamson Associates
P. O. Box 766
Danville, Calif. 94526

Worldwide Sales
526 North Hillcrest Road
Beverly Hills, Calif. 90210

Colorado

Glenn Tuthill Sales Co., Inc.
P. O. Box 20042
1444 Oneida Street
Denver, Colorado 80220

Connecticut

George E. Abbott Co.
W. Main Street
Chester, Conn. 06412

* Dunham & Smith Agencies, Inc.
39 Newis Street
Greenwich, Conn. 06830

* Eurpac Sales
170 Mason Street
Greenwich, Conn. 06830

Gemsco, Inc.
P. O. Box 532
Milford, Conn. 06460

General Int'l Sales
5 Clark Street
Old Greenwich, Conn. 06830

* Milbrands, Inc.
31 Lake Street
Stamford, N.Y. 12167

* S & K Sales
125 Greenwich Avenue
Greenwich, Conn. 06830

Florida

Choiley Co.
4307 McKinley Street
Hollywood, Florida 33021

Global Military Sales
P. O. Box 31
Atlantic Beach, Florida 32233

*Wilson Harrell & Co., Inc.
4161 Carmichael Avenue
Jacksonville, Florida 32207

Neuweiler Sales Co.
8340 N.E. Second Avenue
Miami, Florida 33138

Overseas Service Corp.
P. O. Box 3306
West Palm Beach, Florida 33402

Sherer Associates
8446 N.W. 26th Drive
Forest Hills South
Coral Springs, Fla. 33065

Budd Steele Co.
P. O. Box 63
2985 Mayport Road
Atlantic Beach, Fla. 32233

Vantage Sales Co.
P.O. Box 50428
Jacksonville, Fla. 32250

Hawaii

Pacific Enterprises Importer-Distributor
429 Waiakamilo Road
Honolulu, Hawaii 98617

Illinois

Donald Bruce & Co.
3600 N. Talman Avenue
Chicago, Ill. 60618

Medicated Products Co.
3600 N. Talman Avenue
Chicago, Ill. 60618

Louisiana

Terry Doub
704 Orleans Street
Bogalusa, Louisiana 70427

Maryland

David J. Kleinbart
11700 Old Columbia Pike
Silver Spring, Md. 20904

Massachusetts

Amherst Sales Corp.
110 Pleasant Street
Malden, Mass. 02148

J.E. Bartlett & Co.
52 Teed Drive
Randolph, Mass. 02368

Elco International Corp.
27 William Street
Springfield, Mass. 01105

John W. Gay Co.
392 Park Street
Stoughton, Mass. 02072

Mel Izen Co.
P. O. Box 67
Newton Center, Mass. 02159

National Military Marketing, Inc.
488 Essex Street
Lawrence, Mass. 01840

Seaboard Sales Corp.
One Mark Avenue
Webster, Mass. 01570

World Service Corp.
P. O. Box 469
Quincy, Mass. 02169

David Zieff & Associates
21 Cummings Park, Suite K
Woburn, Mass. 01801

Missouri

Sterling Co.
417 Delaware Street
Kansas City, Missouri 64105

New Jersey

C. P. Mahoney & Co.
Medford Lakes, New Jersey 08055

Sarvis Associates, Inc.
16 Glenwood Road
Englewood, New Jersey 07631

New Hampshire

Emco, Inc.
P. O. Box 189
Hampton, New Hampshire 03842

New York

Allpac Sales Co.
301 East 47th Street
New York, N.Y. 10017

Alpha International
56 Harrison Street
New Rochelle, N.Y. 10801

Atlas Sales Agency
25 W. 42nd Street, Suite 823
New York, N.Y. 10036

Beta-Royal
655 Main Street
Westbury, N.Y. 11590

Bluebell International
c/o Otam Int'l
370 Lexington Avenue
Suite 3416
New York, N.Y. 10018

W.J. Bodnar Sales
P. O. Box 589
Ossining, N.Y. 10562

Chalres Brady, Inc.
250 West 57th Street
New York, N.Y. 10019

Diversified Marketing Int'l
53 E. 184th Street
Bronx, N.Y. 10468

Dunrite Products, Inc.
45 East 20th Street
New York, N.Y. 10003

O.R. Elder Co.
855 Sixth Avenue
New York, N.Y. 10001

Lou Frankel & Co., Inc.
95 Elizabeth Road
New Rochelle, N.Y. 10804

Georgetown Marketing, Inc.
5351 Westmoreland
Suite 142
Dallas, Texas 75237

Harry Granitz & Co.
37 Werman Court
Plainview, N.Y. 11803

Fred M. Grunfeld
70-20 - 108th Street
Forest Hills, N.Y. 11375

Leonard Haimes Co., Inc.
35 Mercer Street
New York, N.Y. 10013

Harrich Associates, Inc.
321 Willis Avenue
Mineola, N.Y. 11501

F.M. Jannell, Inc.
130 Fifth Avenue
New York, N.Y. 10010

Ray Kasendorf
3 Clinton Lane
Jericho, N.Y. 11753

Mennon Sales Co.
5 Field End Lane
Eastchester, N.Y. 10709

Nason Trading Co., Inc.
230 Fifth Avenue
New York, N.Y. 10001

Robbins & Co.
401 Broadway
New York, N.Y. 10013

Julius Rothschild Co.
292 Broadway
Lynbrook, N.Y. 11563

S. Schwartz Military Sales Co.
29 East 61st Street
New York, N.Y. 10021

Francois L. Schwarz
550 Fifth Avenue
New York, N.Y. 10036

Security Brokers, Inc.
P. O. Box 534, Riverdale Station
New York, N.Y. 10071

Titan United Corp.
25 W. 43rd Street, Suite 823
New York, N.Y. 10036

Universal Commodity Brokers, Inc.
91 North Franklin Street
Hempstead, N.Y. 11550

Varsity Marketing Int'l
2348 Walton Avenue
Bronx, N.Y. 10468

*Webco, S.A.
353 Lexington Avenue
New York, N.Y. 10016

North Carolina

All American Sales, Inc.
P. O. Box 3952
Fayetteville, N.C. 28305

Don S. Davis
P.O. Box 363
Erwin, N.C. 28339

Dixon Marketing, Inc.
612 Queen Street
Kinston, N.C. 28501

Neil Eddinger
P. O. Box 354
Spencer, N.C. 28159

Pennsylvania

Martin A. Taylor Co., Inc.
1015 Chestnut Street
Philadelphia, Pa. 19107

Trans-International Corp.
1777 Walton Road, Suite 200
Blue Bell, Pa. 19422

*Trinity Marketing Corp.
Box 511
Valley Forge, Pa. 19481

Rhode Island

Bazar Inc. Sales Co.
655 Warren Avenue
East Providence, R.I. 02914

Sales Specialties, Inc.
140 Dover Avenue
East Providence, R.I. 02914

Texas

Advance Sales & Service Co.
Dallas Apparel Mart
Room 3183
Dallas, Texas 75247

A.E. Fogelberg Sales
205 Fredericksburg Road
San Antonio, Texas 78201

Military Sales & Service Co.
5301 S. Westmoreland Road
Suite 106
Dalls, Texas 75237

National Military Sales Co.
1165 Empire Central Plaza
Suite 234
Dallas, Texas 75247

Southwest Military Sales
203 Fredericksburg Road
San Antonia, Texas 78201

Tex-Mil, Inc.
851 South R.L. Thornton
Suite 102
Dallas, Texas 75203

L.G. Tippie & Co.
P. O. Box 17408
San Antonio, Texas 78217

Jerry Wills
323 Blaze Avenue
San Antonio, Texas 78218

Virginia

H.B. Atkinson
Wheeler Avenue
Alexandria, Va. 22304

Bisek & Co., Inc.
2507 Pacific Avenue
Virginia Beach, Virginia 23451

Churchill Sales Co., Inc.
5249 Duke Street
Suite One
Alexandria, Va. 22304

Com-X, Inc.
2708 South Nelson Street
Arlington, Va. 22206

*Conus, Inc.
9402 Prince William Street
Manassa, Va. 22110

Defense Marketing Corp.
P. O. Box 2396
Virginia Beach, Va. 23452

Desco, Inc.
819 W. Little Creek Road
Norfolk, Va. 23505

*C. Lloyd Johnson Co.
8031 Hampton Blvd.
Norfolk, Va. 23505

Mohawk Marketing Corp.
4984 Holland Road
Virginia Beach, Va. 23462

V. H. Monetta & Co.
Smithfield
Virginia 23430

N.A.A.F.E.X.C.O.
America Corp.
1600 E. Little Creek Road
Norfolk, Va. 23518

Norfolk Distributing Co.
P. O. Box 2396
Virginia Beach, Va. 23452

Old Dominion Tobacco Co., Inc.
5400 Virginia Beach Blvd.
P. O. Box 12420
Norfolk, Va. 23462

Court Oxley Co.
6911 Mt. Daniel Drive
Falls Church, Va. 22046

Ry Con Sales, Inc.
3812 Shadow Lane
Virginia Beach, Va. 23452

Dino Tamarri
14835 Wood Home Road
Centreville, Va. 22020

United Marketing
1552 Norview Avenue
Norfolk, Va. 23513

United States Sales Corp.
P. O. Box 2395
Virginia Beach, Va. 23547

Washington

Harry A. Kassler
Terminal Sales Bldg.
Seattle, Washington 98101

Wisconsin

Swan Sales Corp.
6223 W. Forest Home Avenue
Milwaukee, Wisconsin 53220

CHAPTER VI

A BILLION DOLLAR MARKET—SELLING TO THE U.S. BUYING OFFICES OF FOREIGN TRADING COMPANIES

This chapter will be useful to suppliers of virtually any type of commodity, raw material, or manufactured goods.

ANOTHER HUGE U.S.-FOR-EXPORT SEGMENT. About 15 foreign trading companies, mainly Japanese, have their own U.S. offices to purchase goods and services for their home offices, their foreign affiliates, and their foreign customers. In 1975, these trading company offices bought more than $4 billion worth of U.S. goods. The U.S. offices of Japanese trading companies probably account for at least one of every four export shipments to Japan,[1] the second most important market for U.S. exported goods (the first is Canada). The best known foreign trading companies are Japanese, but there are British, Dutch, Danish, Swiss, and French trading companies also.

WHAT IS A TRADING COMPANY? A firm that both exports and imports is known as a trading company. The most sophisticated also manufacture, ship, and finance on a worldwide basis. For example, Mitsui, one of the largest Japanese trading companies, has operations in 77 countries and has established 170 joint venture arrangements with U.S. manufacturers throughout the world. United Africa Company, headquartered in Liverpool, England, operates modern department stores and large factories in Africa as well as large distribution firms. Trading companies frequently begin dealing in basic commodities and other raw materials: cotton, coal, foodstuffs, etc., but they generally develop a capability to handle virtually any kind of goods. The box on page 32 lists most of the foreign trading companies with offices in the United States.

HOW MITSUI DOES IT. Illustrative of the tremendous scope of the Japanese trading company is a run-down on the U.S. affiliate of Mitsui (Mitsui and Company (U.S.A.), Inc.). The New York headquarters and branch offices in ten other U.S. cities annually purchase close to $2 billion of U.S. commodities, raw materials, and manufactured goods for export—not only to Mitsui Japan but to their operations in other countries. Mitsui has established 22 trading departments, each specializing in purchasing a specific category of goods: steel, coal, nonferrous metals, departments for large machinery, electrical machinery, industrial machinery, transportation machinery, chemical machinery, heavy machinery, etc. Buying departments are also established for: chemicals, plastics, fertilizers, and petroleum products. A produce department handles wheat, feed grains, soybeans, oils and fats, livestock, and meat. A provisions department buys oranges, lemons, and grapefruits. The textile department buys natural and synthetic fibers, yarns, fabrics, knitwear, and the general merchandise department handles such products as bowling equipment, golf clubs, pleasure boats, medical equipment, etc.

The Mitsui Technical Development Center seeks additional business opportunities, such as those connected with pollution control, underseas mining, and oil extraction.

In addition to purchasing on an order-to-order basis, Mitsui is active in seeking out product lines to sell or distribute, not only in Japan, but throughout the world. Here's a quote from a Mitsui advertisement directed at U.S. manufacturers with little or no export experience:

"Have you considered expanding into the world market? And backed off because there were just too many problems: languages to learn, foreign exchange rates, transportation, financing, and countless miles of red tape.

"Then check the Houston office of Mitsui (U.S.A.). See how we've uncomplicated world trade for many U.S. firms and found profitable overseas markets for their goods and services.

[1]The Japanese trading company is even more important than these figures suggest. Most U.S. exporting manufacturers use a trading company as their export representative in Japan. One expert estimates that between 80% and 90% of the $12 billion exported to Japan is handled by Japanese trading companies.

THESE COMPANIES BUR OVER A BILLION DOLLARS OF U.S. GOODS

The U.S. branch offices of trading companies purchase huge amounts of U.S. goods for export to their parent companies and other foreign customers.

Asahi Bussan Co., Ltd.
16 West 22nd Street
New York, N. Y. 10010

East Asiatic Co., Inc.
110 Wall Street
New York, N. Y. 10005

C. Itoh & Co. (American)
270 Park Avenue
New York, N. Y. 10017

Kanematsu-Gosho (U.S.A.) Inc.
World Trade Center
New York, N. Y. 10048

Marubeni Corporation
200 Park Avenue
New York, N.Y. 10017

Mitsubishi International Corp.
277 Park Avenue
New York, N. Y. 10017

Mitsui & Co. (U.S.A.) Inc.
200 Park Avenue
New York, N. Y. 10017

Nichimen Co., Inc.
1185 6th Avenue
New York, N. Y. 10036

Nissho-Iwai American Corporation
80 Pine Street
New York, N. Y. 10005

Sumitomo Shoji America, Inc.
345 Park Avenue
New York, N.Y. 10017

"Mitsui (U.S.A.) exported nearly $2 billion of American products in 1974. We'd like to talk to you about helping us add to that total. . ."

HOW THEY PURCHASE. Foreign trading companies are sophisticated purchasers. Most establish elaborate specifications, and seek out potential suppliers. Their own vendor files are extensive. They maintain extensive reference material about potential vendors. One Japanese trading firm maintains a supplier reference room containing all the standard U.S. product directories, plus subscriptions to over 100 business publications covering 50 fields.

They rarely buy in haste, particularly from a new supplier. In fact, potential suppliers might get frustrated at the detailed procedures followed, in particular, by the Japanese trading companies, which often include repeated checks with executives in the trading company's headquarters offices.

However, once you receive an order, you won't have to worry about export details. The trading companies are professionals. Most likely, you'll be asked to ship to a U.S. location, and invoice the U.S. office so payment will be consistent with your normal terms.

TIPS ON TAPPING THIS SEGMENT. Since the foreign trading companies actively seek U.S. suppliers, make sure you're listed in appropriate purchasing directories. (See chapter XIII for a discussion about listing.) But it's such a large market segment, and there are so few trading companies, don't wait for them to contact you. Let them know what you can do for them. The trading company might not know about you, and may be interested for at least two reasons.

1. From time to time, the trading company may want to buy goods similar to yours.
2. The trading company's home office may be interested in representing your company in one or more foreign countries.

Here are some suggestions to reach this large market potential.

1. Write the trading companies with U.S. offices. (The box above identifies the names and addtesses of those trading companies.) If you don't have the specific department, send it to the president's attention. It will most likely be routed quickly to the proper department.

   In this letter, indicate your interest in determining their requirements for your product and, if appropriate, your interest in the company representing you in Japan and possibly other foreign markets. Describe your products fully. Be sure to include catalogs and other materials. Identify your leading U.S. customers. (See the box on page 33 for a sample letter.)
2. Followup with those trading companies who have shown interest in your products.
3. Develop your sales plan!

TO SUM UP: IT'S A HUGE MARKET! With little effort, you can insure that these companies know about your products. Your "exports" may be increased, without your worrying about any shipping or payment details. But remember that it frequently takes a long time to conclude sales arrangements.

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(SAMPLE LETTER TO TRADING COMPANY EXPLAINING YOUR PRODUCTS)

ABC Trading Company
1234 Madison Avenue
New York, New York 10018

Gentlemen:

The YCI Company markets a line of asphalt additives. These additives extend the life of asphalt surfaces such as highways and parking lots, and we feel they have applications in foreign markets. Our major customers include highway contractors such as the XYZ Company, and State highway agencies. The attached catalogs and specification sheets give detailed information about our products.

We are writing to find out:

1. Whether your trading company has a requirement to purchase similar products for your affiliates in Japan and elsewhere, and

2. If your trading company would be interested in representing our firm in Japan, and possibly other foreign markets for our line of asphalt additives.

The XYZ Company, founded in 1973, has sales of $1.3 million. Further details are given in the attached brochure outlining our capabilities.

Don't hesitate to telephone if you need further details. We look forward to meeting with representatives of the ABC Trading Company about our asphalt additives.

Sincerely,

Nelson T. Joyner, Jr.
President

CHAPTER VII

SELLING TO THE EXPORT MERCHANT OR JOBBER

This chapter will be useful to suppliers of virtually all commodities, raw materials, or manufactured goods.

U.S.-BASED EXPORT MIDDLEMEN. No equivalent exists in the United States to the huge foreign trading companies described in the previous chapter. But we do have another type of trading firm: export merchants, or as they are sometimes called, export jobbers. These U.S.-based "export middlemen" purchase goods in the United States for export to their foreign customers or potential customers. These firms often have close relationships with foreign firms in a few countries who need U.S.-made products. Others function much like general wholesalers, and still others seek out "leads" from foreign firms who want to buy specific types of products. But many of the small ones specialize in selling to the "drop in" trade—foreign buyers who are in the United States.

An estimated 5,000 export merchants are active, mostly located in and around port cities. Some are well financed. Others are marginal and struggle to stay in business. Export merchants are not easy to locate, but most utilize extensive supplier directories and actively seek out specific manufacturers and/or distributors.

AN EXPORT MERCHANT: WHAT'S HE LIKE? Here are some characteristics that are typical of export merchants.

1. Export merchants come in all shapes.
   a. Some may sell *only* to customers in foreign markets. Some specialize in sales to a limited number of countries in a particular region, such as South America or the Middle East. Some may specialize in selling to only one country, such as Mexico or Nigeria. Successful ones often have a close personal relationship, either through family or business ties, with their customers in these foreign markets.

   b. Others' principal business is in the United States, but they are well established in export capability. For example, Harry Alter Company, a large air conditioning and refrigeration wholesaler, does a thriving export business. They offer foreign customers a wide product selection and excellent service.

   c. Others actively seek out leads from foreign firms throughout the world who publicize their interest in purchasing specific merchandise. The export merchant then locates a supplier and submits a proposal to the foreign firm.

2. Export merchants rarely deal in exclusivity, buying where they can get the best price and delivery. Some, though, do establish exclusive "arrangements" with manufacturers to promote their products in one or more foreign markets. In this case, they are similar to Export Management Companies which are described in detail in PART III.

3. Export merchants most often deal directly with manufacturers. But if the latter won't sell to them, they go to the firm's wholesaler.

4. Many specialize in used merchandise: construction machinery, machine tools, second-hand cars, or used clothing, for which a big foreign market exists, particularly in developing countries.

5. Export merchants usually handle a wide range of products within a certain field.

6. Most merchants do little or no foreign travel. Thus, much of their business is conducted by mail, telephone, or telegram.

If you receive an inquiry from an export merchant, chances are your competitors have also had the same inquiry. So remember this if you choose to respond. Many export merchants won't tell you the name of the ultimate customer, and some won't even indicate the country. Export merchants usually purchase and resell at a higher price. Occasionally, an export merchant may ask the U.S. supplier to sell directly to the foreign customer. In this case, the merchant will expect a sales commission.

THERE ARE ADVANTAGES IN DEALING WITH EXPORT MERCHANTS

1. If you receive an export order, you won't have to worry about foreign shipment. Most likely you'll be asked to deliver to a U.S. location.
2. Payment terms will likely be similar to your normal terms. Note: since some merchants have limited financial capability, it's wise to check trade and financial references carefully.
3. An export merchant might be an excellent outlet for discontinued lines and obsolete inventory, which you do not want (or aren't able) to sell in the U.S. market. Sources to help you locate a potential export merchant are listed in the box on page 56. If a merchant is interested in your "unsalable" inventory, he will ask for a sizable discount.

THERE ARE DISADVANTAGES, TOO. The major disadvantage in working through an export merchant: you have no control over the situation. Your reputation in foreign markets might be harmed by his unwise pricing and failure to service your product, etc. And if you *are* an exporter with sales agreements with foreign distributors, you will get complaints if your products suddenly appear in their country without their knowledge.

TO SUM UP: There is little you will want to do with respect to this U.S.-for-export segment. Export merchants actively seek suppliers. Therefore, you may want to make sure you are listed in appropriate directories. Check their references if one does contact you. And if you want to sell obsolete or discontinued merchandise, an export merchant might be a channel for this.

HOW TO FIND EXPORT MERCHANTS

1. *American Register of Exporters and Importers* lists firms, by product category, actively engaged in exporting. The listing, however, is not limited to just export merchants, but includes manufacturers as well. This directory is published by the American Register of Exporters and Importers Corporation, 90 W. Broadway, New York, New York 10007.

2. The Yellow Pages telephone directories of key U.S. cities. For example, the Manhattan Yellow Pages lists over 1,000 firms, by broad product category, under the classification "Export." Most are export merchants.

3. *Export Management Firms.* The U.S. Department of Commerce has published a listing of some 600 export merchants, by type of product. Not all are export merchants. Some are Export Management Companies. (Described in PART III. For availability, check with the Department of Commerce District Office nearest you.)

CHAPTER VIII

SELLING TO FOREIGN GOVERNMENTS IN THE UNITED STATES

This chapter is useful to suppliers of commodities, raw materials, and certain manufactured goods—in particular, high technology products.

FOREIGN GOVERNMENTS ARE BIG BUYERS. Every government is a big customer for goods and services. (In some African countries, the government is the biggest importer.) For example, Petroleos Mexicanos, a large oil company owned by the Mexican government, accounts for one-half of Mexico's gross national product. Its purchasing requirements are huge. While practically every country's government wants to buy from its own local companies, there is a tremendous demand for U.S. goods. Some are sold in the foreign country by a U.S. company's sales representative.

However, some countries have established permanent offices in the United States to seek out and purchase U.S. goods. Others send missions from time to time to buy specific goods. Most permanent offices are located either in New York or Washington. For example, the U.S.S.R. purchases U.S. goods through Amtorg Trading Corporation, an agency of their government. The Israeli government has established a suply mission in New Yourk. And Korea has established procurement offices in Washington, New York, and San Francisco. A listing of over 200 U.S. buying offices of foreign governments is provided at the end of the chapter.

WHAT FOREIGN GOVERNMENTS PURCHASE. What they buy depends upon individual government's needs. Industrialized nations such as the United Kingdom and the U.S.S.R. purchase high-technologyproducts. Example: instruments for nuclear power plants. Middle Eastern and Sourh American countries may buy armaments and communications equipment to strengthen the strategic capabilities of the country. Developing countries such as Pakistan often buy raw materials and foodstuffs.

HOW THEY PURCHASE. Purchasing patterns vary from government to government. Here are some patterns you may find.

1. Buying offices will place the order in the United States, take delivery in the United States, and pay from their U.S. buying office.
2. Buying offices place the order in the United States, take delivery in the United States, but pay from their foreign country. Some governments use a purchasing office such as the Afro-American Purchasing Center, described in the box on page 37.
3. Buying offices place orders for agencies of the foreign governments. In this case, the U.S. supplier might have to ship its products to the foreign location.

A foreign government's degree of sophistication in locating U.S. suppliers varies. Some buying offices are quite adept; others rely heavily on U.S. suppliers approaching them.

PAYMENT. Foreign governments sometimes are slow payers. Some developing nations have difficulty in obtaining sufficient foreign currencies (such as dollars) which frequently can delay or even postpone their decision to purchase U.S. goods.

Some governments may pay with U.S. aid money. The U.S. Government has supported the economic development of most developing countries. The Agency for International Development (AID), an agency of the U.S. Government, administers programs in these countries. The funds help underwrite the purchase of goods and services related to approved economic development projects. Projects range from purchase of foodstuffs to purchase of equipment and supplies for hospitals, schools, etc. All plans for the purchase of goods and services which will be paid for through U.S. AID funds, however, are identified by the U.S. Government. They are listed in AID circulars, as well as in *Commerce Business Daily*.[1]

[1] *Commerce Business Daily* is the U.S. Government's shopping list. The government is required by law to advertise its intent to purchase all goods or services valued over $10,000. In addition, *Commerce Business Daily* includes other procurement information, including the intent of foreign governments to purchase some goods and

(continued on page 37)

TAPPING THIS MARKET SEGMENT. Opportunities for U.S. suppliers are not as clearcut in this segment of the U.S.-for-export market. But the small number of foreign governments who have established buying offices in the United States makes it relatively easy to determine whether there's business. Many of these governments actively seek out U.S. suppliers. Thus, it's important that your products are listed in appropriate purchasing directories. See Chapter XIII for a discussion on how this can be done. But it won't hurt for you to alert these buying offices of your product and company.

1. Contact each office to determine its interest in your product. Write a letter describing your product, include descriptive catalogs and specification sheets.
2. Followup with those offices expressing an interest.
3. Develop your sales plan!

TO SUM UP. There are limited opportunities for those who can supply commodities, raw materials, and manufactured products—in particular, higher technology hardware. Some foreign governments have established U.S. offices, mostly in New York or Washington, D.C., to purchase or help facilitate the purchase of U.S.-made goods. Many will seek out potential vendors, but it's an easy task to contact them, by mail, with a description of your company's product.

equipment under the provisions of U.S. AID financing. *Commerce Business Daily* is published five days a week. Subscriptions cost $80 from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Payment must accompany orders.

AFRO-AMERICAN PURCHASING CENTER

Foreign governments, particularly in African nations and some Far Eastern countries, utilize the Afro-American Purchasing Center, One World Trade Center, New York, New York 10048, to buy U.S.-made goods, from time to time. If AID financing is involved, the probability is even greater.

All purchasing is done on a bid basis. For purchases below $5,000, the Center solicits informal bids from suppliers on its bid lists.

Purchases over $5,000 are advertised in the *Small Business Bulletin* published by the Agency for International Development. Purchases over $50,000 require formal bids, and they're advertised in *Commerce Business Daily*.

The Center maintains qualified supplier lists. All considered competitive are given an opportunity to submit bids to responses to these invitations to purchase. While the Center itself actively seeks to add potential suppliers to their bid lists, it welcomes information about companies and their products.

Inquiries should be accompanied by product literature. Pricing information is not needed. One of their executives says, "We will include new names on our bid invitations at least for the first two or three times to see if their responses are competitive with those we receive."

Purchases are actually made by the foreign governments, but the Afro-American Purchasing Center helps arrange for shipment and helps facilitate payment by the foreign government to the U.S. supplier.

U.S.-BASED BUYING OFFICES OF FOREIGN GOVERNMENTS AND GOVERNMENT-OWNED FIRMS

Every foreign government is a big potential customer for U.S.-made goods and services. Some countries have established permanent offices in the United States to seek out and purchase U.S. goods. Most are located either in New York or Washington, D.C.

Additionally in some countries, the largest corporations, in particular airlines, petroleum and mining companies, are government-owned. Many of these companies have also established purchasing departments in the United States.

The Rockville Counsulting Group, Inc., after extensive research, has identified over 200 U.S.-based buying offices of foreign governments and government-owned firms. We have listed them, by country, with complete mailing addresses.

AFGHANISTAN

Afghan Permanent Mission to the U.N.
866 United Nations Plaza
New York, NY 10017

Embassy of Afghanistan
2341 Wyoming Avenue, NW
Washington, DC 20008

AFRICA (countries with AID purchase contracts)

Afro-American Purchasing Ctr, Inc.
One World Trade Center
New York, NY 10048

ALGERIA

Embassy of the Democratic and Popular Republic of Algeria
2118 Kalorama Rd., NW
Washington, DC 20008

ARGENTINA

E.N.D.E. - Argentine Government Oil Fields
350 Fifth Avenue
New York, NY 10001

Office of Military Attache
1600 New Hampshire Avenue, NW
Washington, DC 20009

Siderurgica Argenntina Sociedad Mixta (S.A.S.M.)
c/o The Armco International Corp.
Middletown, Ohio 45042

Aerolineas Argentinas
Cargo Bldg. 261
John F. Kennedy Int'l Arpt.
Jamaica, NY 11430

AUSTRALIA

Consulate-General of Australia
636 Fifth Avenue
New York, NY 10020

Qantas Airways, Ltd.
183 Utah Street
San Francisco, CA 94080

Australian Embassy
1601 Massachusetts Avenue, NW
Washington, DC 20036

Defense Supply Attache
Australian Embassy
1601 Massachusetts Avenue, NW
Washington, DC 20036

BELGIUM

Belgian Military Supply Office
5454 Wisconsin Avenue, NW
Washington, DC 20015

Sabena (national airline)
Lake Success Business Park
125 Community Drive
Great Neck, NY 11021

BENIN (formerly Dahomey)

Embassy of the People's Republic of Benin
2737 Cathedral Ave., NW
Washington, DC 20008

BOLIVIA

Y.P.S.B.
3334 Richmond Avenue
Houston, Texas 77006

Corporaction Minera de Bolivia
2 W. 45th Street
New York, NY 10036

BOTSWANA

Embassy of the Republic of Botswana
4301 Connecticut Ave., NW, Suite 404
Washington, DC 20008

BRAZIL

Brazil Naval Commission
4706 Wisconsin Avenue, NW
Washington, DC 20016

Brazilian Military Commission
4000 Albemarle St., Rm. 203
Washington, DC 20016

Brazilian Steel Company
477 Madison Ave., Rm. 703
New York, NY 10022

COSIPA Steel Mill Co.
271 Madison Ave., 17th Floor
New York, NY 10016

PETROBRAS
1221 Avenue of the Americas
New York, NY 10020

Brazil Aeronautical Commission
1701 - 22nd St., NW
Washington, DC 20008

BURMA

Embassy of the Socialist Republic of Burma
2300 S Street, NW
Washington, DC 20008

The Consulate of the Socialist Republic of Burma
10 E. 77th Street
New York, NY 10021

The Office of the Military, Naval & Air Attaches of the Socialist Rep. of Burma
2300 California St., NW
Washington, DC 20008

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BURUNDI

Embassy of the Republic of Burundi
2717 Connecticut Ave., NW
Washington, DC 20008

CANADA

Contract Services Branch
Dept. of Supply and Services
70 Lyon Street
Ottawa, Ontario
Canada

Canadian Dept. of Defense Prod.
2450 Massachusetts Ave., NW
Washington, DC 20008

Canadian Wheat Board
1746 Massachusetts Ave., NW
Washington, DC 20036

Air Canada
U.S. & Southern Regional Office
600 Madison Ave.
New York, NY 10022

CENTRAL AFRICAN REPUBLIC

Embassy of Central African Rep.
1618 - 22nd Street, NW
Washington, DC 20008

CHILE

Chilean Copper Corp.
One World Trade Center
New York, NY 10048

Chilean Development Corp.
One World Trade Center
New York, NY 10048

Chilean Steel Mill
One World Trade Center
New York, NY 10048

Chilean Trading Corp.
One World Trade Center
New York, NY 10048

Chilean Air Force Mission
1875 Connecticut Ave., Rm. 1212
Washington, DC 20009

Chilean Naval Mission
Chilean Military Mission
1732 Massachusetts Ave., NW
Washington, DC 20036

Lan-Chile Airlines
Fourth Floor
150 S.E. Second Avenue
Miami, Fla. 33131

CHINA (Taiwan)

Chinese Government Procurement & Services Mission
(Ministry of National Defense Division)
2224 R Street, NW
Washington, DC 20008

Chinese Government Procurement & Services Mission
One World Trade Ctr., Suite 2273
New York, NY 10048

COLOMBIA

Colombian Air Force Purchasing Agency
3950 S.W. 12 Terrace
Ft. Lauderdale Airport
Ft. Lauderdale, Fla. 33315

Colombian Military Purchasing Commission
2118 LeRoy Place, NW
Washington, DC 20008

Aero Condor
Bldg. C-8
Miami Int'l Airport, Box 48-0162
Miami, Fla. 33148

Avianca
Box 2455
AMF
Miami, Fla. 33159

COSTA RICA

Lineas Aereas Costarricenses, S.A.
Executive & Sales Offices
238 Biscayne Blvd.
Miami, Fla. 33132

CYPRUS

Embassy of Cyprus
2211 R Street, NW
Washington, DC 20008

CZECHOSLOVAKIA

Czechoslovak Embassy Comm. Dept.
3900 Linnean Avenue, NW
Washington, DC 20008

ECUADOR

Naval Attache
Embassy of Ecuador
2535 - 15th Street, NW
Washington, DC 20009

Air Attache
Embassy of Ecuador
2535 - 15th Street, NW
Washington, DC 20009

Military Attache
Embassy of Ecuador
2535 - 15th Street, NW
Washington, DC 20009

Aerolineas Nacionales del Ecuador, S.A.
Box 481068
Miami, Fla. 33148

Empresa Ecuatoriana de Aviacion
Bldg. 1006 at N.W. 62nd Ave.
International Airport
Miami, Fla. 33148

ETHIOPIA

Embassy of Ethiopia
2134 Kalorama Rd., NW
Washington, DC 20008

Commercial Counselor
1224 Connecticut Ave., NW
Suite 515
Washington, DC 20036

Ethiopian Airlines, S.C.
200 E. 42nd Street
9th Floor
New York, NY 10017

FIJI

Fiji Mission to the U.N.
United Nations Plaza, 26th Floor
New York, NY 10017

FINLAND

Office of the Defense and Armed Forces Attache
Embassy of Finland
1900 - 24th Street, NW
Washington, DC 20008

FRANCE

Industrial Development Procurement, Inc.
1 Old Country Road
Carle Place
Garden City, NY 11514

French Mining Chemical and Allied Industries
35 Wisconsin Circle
Chevy Chase, Maryland 20015

Materiel French Military Mission
2164 Florida Ave, NW
Washington, DC 20008

Air France
1350 Ave. of the Americas
New York, NY 10019

Air Attache
French Embassy
2535 Belmont Road, NW
Washington, DC 20008

Military Attache
French Embassy
2535 Belmont Road, NW
Washington, DC 20008

French Supply Office
1001 Connecticut Avenue, NW
Washington, DC 20036

Societe Nationale des Chemins
de Fer Francais
610 Fifth Avenue
New York, NY 10020

GABON

Embassy of the Gabonese Republic
2210 R Street, NW
Washington, DC 20008

GREAT BRITAIN - See UNITED KINGDOM

GREECE

Embassy of Greece
Office of the Commercial Counselor
2211 Massachusetts Ave., NW
Washington, DC 20008

GRENADA

Grenada Tourist Information Office
866 Second Avenue, Suite 502
New York, NY 10017

GUATEMALA

Embassy of Guatemala
2220 R Street, NW
Washington, DC 20008

Office of Air & Military Attache
2220 R Street, NW
Washington, D C 20008

Empresa Guatemalteca de
Aviacion
Suite 501, 999 S. Bayshore Dr.
Miami, Fla. 33131

GUINEA

Embassy of the Republic of Guinea
2112 LeRoy Place, NW
Washington, DC 20008

GUYANA

Semin Corporation
445 Park Avenue
New York, NY 10022

HAITI

Commercial Counselor
Embassy of Haiti
4400 - 17th Street, NW
Washington, DC 20011

Military Attache
Embassy of Haiti
4400 - 17th Street, NW
Washington, DC 20011

Commercial Attache
32 Broadway, Suite 1000
New York, NY 10004

ICELAND

Commercial Officer of Iceland
370 Lexington Avenue
New York, NY 10017

Luftleider (national airline)
630 Fifth Avenue
New York, NY 10020

INDIA

India Supply Mission
2536 Massachusetts Ave.
Washington, DC 20008

Consulate General of India
3 East 64th Street
New York, NY 10021

State Trading Corp. of India, Ltd.
One World Trade Center, Suite 2655
New York, NY 10048

Indian Investment Center
708 - 3rd Avenue
New York, NY 10017

Trade Development Authority of
India
666 - Fifth Avenue
New York, NY 10019

Engineering Export Promotion
Council of India
333 N. Michigan Ave., Suite 2014
Chicago, IL 60601

Air India
Purchasing & Stores Section
Cargo Bldg. 84
John F. Kennedy Int'l Airport
Jamaica, NY 11430

INDONESIA

Indonesian Trade Commissioner
Embassy of the Republic of Indonesia
2020 Massachusetts Ave., NW
Washington, DC 20036

Indonesian Commercial Attache
5 East 68th Street
New York, NY 10021

Indonesian Procurement &
Development Agency, Inc.
80 Broadway
New York, NY 10004

Indonesian Oil Company
305 E. 86th Street
New York, NY 10028

IRAN

National Iranian Oil Co.
1271 Avenue of the Americas
New York, NY 10020

Iranian Embassy
3005 Massachusetts Ave., NW
Washington, DC 20008

Office of the Military Attache
Iranian Embassy
3005 Massachusetts Ave., NW
Washington, DC 20008

Bank Melli Iran
Office of Representative
1 Wall Street, Room 3812
New York, NY 10005

Iran National Airlines Corp.
345 Park Ave.
New York, NY 10022

IRELAND

Aer Lingus
564 Fifth Avenue
New York, NY 10036

ISRAEL

Government of Israel Supply
Mission
641 Lexington Ave.
New York, NY 10022

El Al Israel Airlines, Ltd.
850 Third Avenue
New York, NY 10022

ITALY

Italian Defense Ministry
Defense & Air Attache Office
2110 LeRoy Place, NW
Washington, DC 20008

Italian Federation of Farmers'
Cooperatives
1725 - Eye Street, NW
Washington, DC 20006

Italian Technical Delegation
1601 Fuller Street, NW
Washington, DC 20009

Air Attache
Italian Embassy
1601 Fuller Street, NW
Washington, DC 20009

Alitalia
666 Fifth Avenue
New York, NY 10019

IVORY COAST

Ivory Coast Development Office
521 Fifth Avenue, Suite 1604-5
New York, NY 10017

Ivory Coast Stabilization Fund
120 Wall Street
New York, NY 10005

JAMAICA

Jamaica Nutrition Holdings, Ltd.
1776 K Street, NW
Washington, DC 20006

JAPAN

Japan Trade Center
1221 Avenue of the Americas
New York, NY 10020

Japan Air Lines Co., Ltd.
Los Angeles Int'l Airport
6041 N. Imperial Hwy.
Los Angeles, CA 90045

JORDAN

Jordanian Information Bureau
1701 K Street, NW, Suite 1004
Washington, DC 20006

ALIA - Royal Jordanian Airline Corp.
280 Madison Ave., Suite 802
New York, NY 10016

KENYA

Embassy of the Republic of Kenya
2249 R Street, NW
Washington, DC 20008

KOREA

Procurement Officer
Korean Consulate General
460 Park Avenue, 5th Floor
New York, NY 10022

Korean Traders Association
460 Park Avenue, 6th Floor
New York, NY 10022

Korea Trade Promotion Center
460 Park Avenue, 4th Floor
New York, NY 10022

Korea Electronic & Machinery Industries Information Office
460 Park Avenue, Suite 636
New York, NY 10022

Korean Shipping Corp.
80 Broad Street
New York, NY 10004

Korea Tungsten Mining Co., Ltd.
10 West 56th Street
New York, NY 10019

Korean Airlines
350 Fifth Avenue
New York, NY 10001

Korean Airlines
5600 W. Century Blvd, Suite 216
Los Angeles, CA 90045

Korea National Tourism Corp.
460 Park Avenue, Room 628
New York, NY 10022

Korea Export Industrial Co., Ltd.
501 Fifth Avenue, Suite 1614
New York, NY 10017

Korea Knitted Goods Export Association
320 Fifth Avenue, Room 7012
New York, NY 10001

Pohang Iron & Steel Co., Ltd.
41 E. 42nd Street, Suite 719
New York, NY 10017

Inchon Iron & Steel Co., Ltd.
20 Vesey Street
New York, NY 10007

KUWAIT

Kuwait Airways Corp.
30 Rockefeller Plaza
New York, NY 10020

LIBERIA

Minister of Press and Information
Embassy of Liberia
5201 - 16th Street, NW
Washington, DC 20011

Charles Kramer
100 E. 42nd Street
New York, NY 10017

LIBYA

Office of Scientific and Technical Affairs
1717 Massachusetts Avenue, NW
Washington, DC 20036

Office of Military Affairs
2344 Massachusetts Avenue, NW
Washington, DC 20008

MALAWI

Malawi Embassy
Bristol House
1400 - 20th Street, NW
Washington, DC 20036

MALAYSIA

Malaysian Rubber Bureau
1108 - 16th Street, NW
Washington, DC 20036

MALTA

Embassy of Malta
2017 Connecticut Avenue, NW
Washington, DC 20008

MAURITANIA

Embassy of the Islamic Republic of Mauritania
2129 LeRoy Place, NW
Washington, DC 20008

MEXICO

Mexican Railway System
777 - 14th Street, NW
Washington, DC 20005

Mexican Railway System
120 Wall Street
New York, NY 10005

Petroleos Mexicanos
655 Madison Ave.
New York, NY 10021

Mexican Institute for Foreign Trade
1660 L Street, NW
Washington, DC 20036

MOROCCO

Embassy of Morocco
1601 - 21st Street, NW
Washington, DC 20009

THE NETHERLANDS

The Netherlands Naval Attache
Royal Netherlands Embassy
4200 Linnean Avenue, NW
Washington, DC 20008

Procurement Section, Royal Netherlands Air Force
Office of the Air Attache
Royal Netherlands Embassy
4200 Linnean Avenue, NW
Washington, DC 20008

Procurement Section, Royal Netherlands Army
Office of the Military Attache
Royal Netherlands Embassy
4200 Linnean Avenue, NW
Washington, DC 20008

KLM - Royal Dutch Airlines
KLM Building
609 Fifth Avenue
New York, NY 10017

NEW ZEALAND

New Zealand Defence Staff
1601 Connecticut Avenue, NW, Suite 500
Washington, DC 20009

Embassy of New Zealand
Finance Office
1707 L Street, NW
Washington, DC 20036

New Zealand Senior Trade
Commissioner
1707 L Street, NW
Washington, DC 20036

Air New Zealand, Ltd.
510 W. Sixth Street, Suite 1000
Los Angeles, CA 90014

New Zealand National Airways Corp.
P.O. Box 1518
Sun Valley, CA 91352

NICARAGUA

Commercial Section
Embassy of Nicaragua
1627 New Hampshire Avenue, NW
Washington, DC 20009

Military Attache
Embassy of Nicaragua
1627 New Hampshire Avenue, NW
Washington, DC 20009

Lanica (national airline)
41 Columbus Hotel Arcade
Miami, Florida 33132

NIGER

Embassy of Niger
2204 R Street, NW
Washington, DC 20008

NIGERIA

Embassy of Nigeria
Commercial Division
2201 M Street, NW
Washington, DC 20037

NORWAY

Norwegian Military Mission
3401 Massachusetts Avenue, NW
Washington, DC 20007

PAKISTAN

Commercial Secretary
Consulate General of Pakistan
12 East 65th Street
New York, NY 10021

Defense Procurement Office
2201 R Street, NW
Washington, DC 20008

Commercial Secretary
Embassy of Pakistan, Chancery Annex
2315 Massachusetts Avenue, NW
Washington, DC 20008

Pakistan International Airlines
545 Fifth Avenue
New York, NY 10017

PANAMA

Air Panama International
304 N.E. First Street
Miami, Fla. 33132

PARAGUAY

Embassy of Paraguay
Offices of the Military, Naval
and Air Attaches
2400 Massachusetts Avenue, NW
Washington, DC 20008

Consulate General of Paraguay
One World Trade Center, Suite 1609
New York, NY 10048

PERU

Empresa Publica de Comercializacion
de Harina y Aceite de Pescada
Agent: Mr. Carlos Mendoza
P.O. Box 220
Maple Wood, NJ 07040

Commercial Department
Peruvian Embassy
1700 Massachusetts Avenue, NW
Washington, DC 20036

Office of Naval Attache
Peruvian Embassy
1700 Massachusetts Avenue, NW
Washington, DC 20036

Chief of the Military Commission
Peruvian Embassy
1700 Massachusetts Avenue, NW
Washington, DC 20036

Office of Air Attache
Peruvian Embassy
1700 Massachusetts Avenue, NW
Washington, DC 20036

Aero Peru
First Federal Bldg., Suite 3000
One S.E. Third Avenue
Miami, Fla. 33131

PHILIPPINES

Philippine Consulate General
Philippine Centre
556 Fifth Avenue
New York, NY 10036

Philippine Sugar Association
1001 Connecticut Avenue, NW
Washington, DC 20036

PORTUGAL

Embassy of Portugal
2125 Kalorama Road, NW
Washington, DC 20008

TAP (national airline)
1140 Avenue of the Americas
New York, NY 10036

ROMANIA

Embassy of the Socialist
Republic of Romania
1607 - 23rd Street, NW
Washington, DC 20008

Romanian Foreign Trade
Promotion Office
Chicago and Midwest
100 W. Monroe Street, Suite 911
Chicago, IL 60603

Romanian Foreign Trade Promotion
Office
350 S. Figueroa Street, Suite 477
Los Angeles, CA 90071

Romanian Tourist Office
500 Fifth Avenue
New York, NY 10036

Romanian Flight - Tarom
500 Fifth Avenue
New York, NY 10036

Romanian Library
866 Second Avenue
New York, NY 10017

Romanian Mission
60 East 93rd Street
New York, NY 10028

Romanian Commercial Office
95 Madison Avenue
New York, NY 10016

SAUDI ARABIA

Royal Embassy of Saudi Arabia
1520 - 18th Street, NW
Washington, DC 20036

Office of the Saudi Military
Attache
4302 Connecticut Avenue, NW
Suite 131
Washington, DC 20008

Office of Naval Operation
Saudi Naval Expansion Program
Opnav-63C (Pentagon)
Washington, DC 20350

Saudi Arabian Mission to the U.N.
6 East 43rd Street, 26th Floor
New York, NY 10017

Saudi Arabian Educational Mission
West Loop South, Suite 400
Houston, Texas 77027

Saudi Arabian Airlines (Saudia)
2420 Pershing Road
Suite 216
Kansas City, Mo. 64108

SIERRA LEONE

Economic Secretary
Embassy of the Republic of
Sierra Leone
1701 - 19th Street, NW
Washington, DC 20009

SOMALIA

Embassy of the Somali Democratic
Republic
600 New Hampshire Avenue, NW
Suite 710
Washington, DC 20037

SOUTH AFRICA

South African Railways & Airways
Procurement Office
71 S. Central Avenue
Valley Stream, NY 11580

SPAIN

Embassy of Spain
2700 - 15th Street, NW
Washington, DC 20009

Iberia (national airline)
177-15 - 149th Road
Jamaica, NY 11434

SWEDEN

Swedish Trade Commission
825 Third Avenue
New York, NY 10022

Office of the Army Attache
Swedish Embassy
600 New Hampshire Avenue, NW
Washington, DC 20037

Office of the Naval Attache
Swedish Embassy
600 New Hampshire Avenue, NW
Washington, DC 20037

Office of the Air Attache
Swedish Embassy
600 New Hampshire Avenue, NW
Washington, DC 20037

SWITZERLAND

Military Attache
Embassy of Switzerland
2900 Cathedral Avenue, NW
Washington, DC 20008

THAILAND

Office of the Commercial Counselor
for Thailand
5 World Trade Center
New York, NY 10048

TRINIDAD AND TOBAGO

Embassy of Trinidad & Tobago
1708 Massachusetts Avenue, NW
Washington, DC 20036

Trinidad & Tobago Consulate
331-3 Graybar Bldg.
420 Lexington Avenue
New York, NY 10017

Trinidad & Tobago
Industrial Development Corp.
400 Madison Avenue, Suite 712-4
New York, NY 10017

Trinidad & Tobago
Tourist Board
400 Madison Avenue, Suite 712-4
New York, NY 10017

TURKEY

Embassy of Turkey
Supply and Shipping Bureau
2523 Massachusetts Avenue, NW
Washington, DC 20008

Military Attache
1606 - 23rd Street, NW
Washington, DC 20008

UGANDA

Embassy of the Republic of Uganda
5909 - 16th Street, NW
Washington, DC 20011

U.S.S.R.

Trade Representative of USSR
2001 Connecticut Avenue, NW
Washington, DC 20006

Amtorg Trading Company
255 Lexington Avenue
New York, NY 10017

U.S.S.R. Trade and Economic Counselor
280 Park Avenue
New York, NY 10017

Kama River Purchasing Agency
767 Fifth Avenue
New York, NY 10022

San Francisco Commercial Group
General Consulate Office
2790 Green Street
San Francisco, CA 94123

Aeroflot
545 Fifth Avenue
New York, NY 10017

UNITED KINGDOM

United Kingdom Treasury & Supply
Delegation
3100 Massachusetts Avenue, NW
Washington, DC 20008

British Airways Overseas Division
245 Park Avenue
New York, NY 10017

URUGUAY

Uruguayan Government Trade
Bureau
301 E. 47th Street, #21-0
New York, NY 10017

Commercial and Financial Dept.
Embassy of Uruguay
1918 F Street, NW
Washington, DC 20006

Uruguayan Military Mission
1918 F Street, NW
Washington, DC 20006

VENEZUELA

Venezuelan American Association
55 Liberty Street
New York, NY 10005

Military Attache Procurement
Office
2409 California Avenue, NW
Washington, DC 20008

Corporacion Venezolana del
Petroleo
515 Madison Avenue
New York, NY 10022

Siderurgica Venezolana Sivensa
411 E. 53rd Street
New York, NY 10019

WEST GERMANY

Lufthansa (national airline)
1640 Hempstead Turnpike
East Meadow, NY 11554

YEMEN

Embassy of the Yemen Arab
Republic
600 New Hampshire Avenue, NW
Suite 860
Washington, DC 20037

YUGOSLAVIA

Yugoslav Purchasing Agency
2410 California Avenue, NW
Washington, DC 20008

ZAIRE

Embassy of the Republic of Zaire
1800 New Hampshire Avenue, NW
Washington, DC 20009

ZAMBIA

Embassy of the Republic of Zambia
2419 Massachusetts Avenue, NW
Washington, DC 20008

CHAPTER IX

SELLING TO THE UNITED NATIONS: SPECIALIZED OPPORTUNITIES

This chapter will be useful to suppliers of industrial goods.

MORE THAN A DEBATING SOCIETY. The United Nations (U.N.), headquarters in New York, is much more than an international peace-keeping forum. Some 85 percent of its resources are directed at aiding the poorer nations of the world.

The U.N.—or its ten affiliated international agencies—annually buy about $50 million worth of equipment, ranging from computers to hand tools. It does not, however, have to purchase goods made in the United States (even though the United States financial support of the United Nations is greater than any other country). The U.N. can buy anywhere in the world.

UNDP. The main conduit for channeling this aid is the United Nations Development Programme (UNDP), also headquartered in New York. The UNDP calls itself the world's largest channel for international technical cooperation, with a budget in excess of $400 million. UNDP financially-supported projects range from developing a country's agriculture to surveying a nation's assets such as mineral deposits. While the UNDP funds these projects, purchase of the required goods and services is done by the United Nations agency or contractor assigned responsibility for implementing the project. These agencies are listed in the box on page 46. A brief description of three of the larger agencies follows. The UNDP publishes a monthly bulletin which lists U.N. purchase requirements and contract awards for UNDP projects.

1. *United Nations (U.N.).* The "Parent" organization carries out surveys and feasibility studies for member countries which range from utilization of mineral resources, development of power generating capabilities, etc. Most of this work is subcontracted to management consultants and engineering firms. Equipment purchased: a wide range of electronic and scientific instruments, laboratory apparatus and supplies, construction drilling, excavating and camping equipment, portable homes and workshops, office equipment and supplies.
2. *Food and Agricultural Organization (FAO).* This agency is interested in projects related to a country's agricultural development. Thus, it funds projects related to soil erosion control, land reclamation, demonstration projects in irrigation, and even development of ocean resources.
3. *United Nations Industrial Development Organization (UNIDO).* This agency helps develop a country's industrial base. It contracts for feasibility studies and pilot plant projects, particularly those concerned with food processing, mining, petrochemical, and utilities. It requires test equipment, instruments, audio-visual equipment, office equipment and supplies.

Most U.N. agencies have purchasing offices in New York as well as abroad.

HOW UN AGENCIES BUY. Procurement officials at each U.N. agency generally ask for bids when the projected purchase is over a certain value. The World Health Organization (WHO) solicits formal bids if the purchase amount will exceed $2,500 and sealed bids if the procurement will exceed $10,000. For the United Nations, single procurements over $5,000 call for open bidding. Procurement officials maintain extensive supplier lists. Sometimes general inquiries will be sent to all suppliers listed in certain directories. And procurement needs are also advertised in the U.N. bulletins.

Submission of formal bids is not always easy, especially for the company unfamiliar with this method of purchase. It takes time to submit bids, and suppliers must frequently agree to comply with many conditions. And even if a company submits the lowest bid, selection is not automatic if there is any

doubt about the ability of the company to deliver. Orders given to a U.S. supplier, even if from a purchasing location outside the United States, generally will call for shipment to a location in the United States (where the U.N. will arrange for shipment to the foreign site). Payment, in dollars, from the U.N.'s headquarters, can usually be arranged. So selling to agencies of the United Nations is similar to selling to your U.S.-based accounts.

THREE SUGGESTION FOR TAPPING U.N. BUSINESS. First, become familiar with how the United Nations and its agencies purchase. Write for the free *UNDP Business Guide*. While not the best looking document in the world, it details procurement procedures for all U.N. agencies and thels where to register for procurement. Available from: Division of Information, UNDP, 866 United Nations Plaza, New York, New York 10017.

Second, get listed as a potential supplier with those U.N. agencies who maintain vendor files. For example, the World Health Organization (WHO) encourages suppliers to send catalogs and price lists for use at their Geneva (Switzerland) headquarters and the six regional WHO headquarters. The United Nations Education, Scientific, and Cultural Organization (UNESCO) maintains catalogs of equipment suppliers in its field equipment division located in Paris. Send catalogs and general price information to these agencies in multiple copies, with a cover letter expressing your interest in being placed on appropriate supplier lists.

Thirdly, develop a system to discover on-going U.N. procurement needs. The *UNDP Business Bulletin*, published monthly, lists requirements for goods and services (as well as listing contract awards). Write: Division of Information, UNDP, 866 United Nations Plaza, New York, New York 10017. *Development Forum*, another free monthly publication, gives information on key U.N. development projects. To subscribe, write: Center for Economic and Commercial Information (CESI), United Nations, Palais des Nationes, CH-1211 Geneva 10, Switzerland.

TO SUM UP: A LIMITED MARKET. The United Nations represents a small segment of the U.S.-for-export market. Yet firms offering equipment, in particular unique, proprietary equipment, may be able to develop an "export" business. Since selling usually requires familiarity with formal bidding techniques and compliance with purchasing conditions, this segment may not be for those firms looking for a "fast" sale. However, companies that do business with the U.N. or its agencies will find that shipping requirements and payment procedures are not unlike procedures in selling to U.S.-based customers.

HOW TO REGISTER WITH UNITED NATIONS (UN) PURCHASING OFFICES

The UN and its related agencies purchase a large amount of goods and services annually. Here are the offices within the UN agencies with whom you should register.

U.N./United Nations
Chief, Purchase and Transportation Service
New York, N.Y. 10017

ILO/International Labour Organization
Chief, Bureau for the Coordination of
Operational Activities
International Labour Office
Geneva 22, Switzerland

FAO/Food and Agriculture Organization
Chief, Purchasing and Control Branch
Administrative Services Division
Food and Agriculture Organization of
the United Nations
via delle terme di Caracalla
Rome, Italy

UNESCO/United Nations Educational,
Scientific, and Cultural Organization
Director, UNESCO Field Equipment Division
UNESCO
7, Place de Fontenoy
75700 Paris, France

ICAO/International Civil Aviation Organization
Director, Technical Assistance Bureau
International Civil Aviation Organization
International Aviation Building
1080 University Street
Montreal 101, Canada

WHO/World Health Organization
Deputy Director General
World Health Organization
Avenue Appia,
Geneva 22, Switzerland

ITU/International Telecommunications Union
The Secretary General
International Telecommunications Union
1211 Geneva 20, Switzerland

IAEA/International Atomic Energy Agency
Division of Technical Assistance
International Atomic Energy Agency
Kaerntnerring 11,
A-1010 Vienna 1, Austria

UNIDO/United Nations Industrial Development
Organization
Chief, Purchasing and Contracting Serv--ices
UNIDO
P.O. Box 707,
A-1011 Vienna, Austria

IMCO/InterGovernmental Maritime Consultive
Organization
Director, Technical Co-operation Division
101-104 Piccadilly
London WiV OEA, England

WMO/World Meteorological Organization
Director, Technical Co-operation Department
World Meteorological Organization
P.O. Box No.5,
CH-1211 Geneva 20, Switzerland

UNDP/United Nations Development Programme
Director, Office for Projects Execution
United Nations Development Programme
New York, New York 10017

CHAPTER X

SELLING TO FOREIGN DEPARTMENT STORES—IN THE UNITED STATES!

This chapter will be useful to companies that market consumer goods.

LARGE FOREIGN DEMAND FOR U.S. CONSUMER GOODS. Every year more than $5 billion in U.S. consumer goods are sold outside the United States. Foreign customers like practically all American-made consumer goods. However, the U.S. Department of Commerce notes that 22 categories of consumer goods do particularly well in export markets. (The box on page 48 lists these categories.)

Foreign department stores and chain store operations—equivalent to Macy's, Marshall Field's, Woolworth's, or K-Mart—purchase an important share of the $5 billion export total. Some buy from importers or sales representatives in their own country—those firms handling U.S. lines of merchandise. However, a few of the largest foreign department stores have set up their own buying offices in the United States.

Other large foreign stores use the services of U.S. resident buying organizations who buy for non-competing U.S. and foreign department stores. They have their own staff of merchandise buyers![1]

BUYING OFFICES. Foreign department store buying offices can be important customers for the U.S. firm selling department store merchandise. Practically all offices are located in New York. Purchasing patterns vary. The six stores with their own offices generally ask for delivery to a U.S. warehouse or freight forwarder who will then handle

[1]Many foreign retail outlets also send their buyers to important merchandising events in the United States. These foreign buyers visiting the United States are further discussed in chapter XI.

SIX FOREIGN DEPARTMENT STORES WITH THEIR OWN U.S. BUYING OFFICES

Daimaru, Inc.
212 Fifth Avenue
New York, N. Y. 10010
(Daimaru Department Store,
Tokyo, Japan)

Takashimaya Company, Ltd.
6 East 43rd Street
New York, N. Y. 10017
(Seibu Department Store,
Tokyo, Japan)

T. Eaton Co., Ltd.
393 Seventh Avenue
New York, N. Y. 10017
(Eaton Department Store chain
in Canada)

Seibu Corp. of America
Room 3475
1221 Avenue of the Americas
New York, N. Y. 10020
(Seibu Department Store,
Tokyo, Japan)

The Robert Simpson Co., Ltd.
11 West 42nd Street
New York, N. Y. 10036
(Simpson Department Store chain
in Canada)

SONAC-Nouvelles Galeries
11 West 42nd Street
New York, N. Y. 10036
(Nouvelles Galeries,
Paris, France)

U.S. CONSUMER GOODS: THE TOP SELLERS IN FOREIGN MARKETS

The United States exports more than $5 billion worth of U.S. consumer goods annually. The best-selling items are listed below.

* Push lawnmowers—gasoline operated—self-propelled. rider type—8 HP—outsells all other units.
* Linens—sheets, towels (all terrycloth).
* Bath shop items—shower curtains, soap dishes, hooks, shelves, towel racks, fancy soaps, scales, bathroom rugs or 3-piece sets.
* Machine-made glassware—tableware.
* Housewares—
  - — Cast iron cookware—black iron
  - — Specialty plastic items
  - — Porcelain and enamel ware (with special packaging)
  - — Home label makers
  - — Plastic place mats and coordinated place settings
  - — Decorative wall mirrors—gold ornate (made of plastic carved wood)
  - — Closet and toilet deodorants
  - — Thermometers (high style)
  - — Ice buckets
  - — Barbeques
  - — Oven mitts and pot holders
  - — TV tray tables
  - — Bar accessories
  - — Drapery hardware
* Lingerie—all types—sleepwear and loungewear.
* Ready-to-wear—
  - — Budget to moderate women's dresses and sportswear
  - — Children's wear—specialty items
  - — Boys' wear—baseball jackets, T-shirts, T-shirts with printed slogans.
* Costume jewelry—all types—emphasis on fashion.
* Men's wear—
  - — Socks
  - — Ties—knitted
  - — Shirts—printed specialties only
  - — Accessories—belts, leather goods
* Giftware.
* Toys and games and sporting goods.
* Textiles—for shipment to store's manufacturer of garments. Piece goods are not sold over the counter.
* Needlepoint kits.
* Early American and colonial furniture.
* Patio furniture.
* Pocket calculators.
* Swimming pools and accessories.
* Knockdown furniture.
* Cosmetics and beauty products.
* Stationery.
* Novelties, notions.
* Do-It-Yourself tools (hand and power).

shipment to the foreign stores. These buying offices generally pay the U.S. supplier from a U.S. bank account. In this case, the "export" sale is no different from selling to a U.S. department store.

Foreign department stores that use a resident buying office have a slightly different payment method. While they will ask for shipment to a U.S. location, they may wish to pay the U.S. supplier from their foreign bank accounts. But the transaction can be arranged so that funds are transferred to a U.S. bank which will then pay the U.S. supplier. (Transactions of this type, called letters of credit, are covered in detail in PART III.) They buy this way because the resident buying office normally *does not* take title to the U.S. goods. They are paid a commission for their service. However, Kirby Block, one of the larger resident buying offices, does buy for its own account. In this case, the U.S. supplier will be paid in the United States.

DON'T WRITE. Department store buyers hardly ever read mail. They don't have time for it. They will insist on seeing you. They are particularly interested in two things: seeing the merchandise and determining what it will sell for in the store. Most buying offices have specific periods when they'll see suppliers (or as they're called in the trade, "their resources"). Advance appointments can be made by telephone. When he sees you, the buyer will be particularly interested in:

1. Evaluating samples. If the product comes in various sizes, colors, or shapes, he'll want to see samples of each.

BUYING OFFICES IN THE UNITED STATES SERVING FOREIGN DEPARTMENT STORES

Many foreign department stores use the services of "resident" buying offices in order to seek out and purchase U.S. consumer goods. Here are some of the leasing offices.

Aaron Schwab International
208 West 8th Street
Los Angeles, Calif. 90014

Arkwright, Inc.
50 West 44th Street
New York, N.Y. 10036

Associated Merchandising Corp.
1440 Broadway
New York, N.Y. 10018

Felix Lilienthal & Co., Inc.
417 Fifth Avenue
New York, N.Y. 10016

Independent Retailers Syndicate
33 West 34th Street
New York, N.Y. 10001

Kirby Block Marketing Serv--ice
292 Seventh Avenue
New York, N.Y. 10001

McGreevey, Werring & Howell
225 West 34th Street
New York, N.Y. 10001

Maricent International, Inc.
Suite 5305, 200 Park Avenue
New York, N.Y. 10017

Metasco Inc.
International Division of
Allied Stores Corporation
1120 Avenue of the Americas
New York, N.Y. 10036

Mutual Buying Syndicate
11 West 42nd Street
New York, N.Y. 10036

Products Exchange Company, Inc.
330 Fifth Avenue
New York, N.Y. 10001

R. W. Cameron and Co.
420 Lexington Avenue
New York, N.Y. 10017

Retailers Representatives, Inc.
1372 Broadway
New York, N.Y. 10018

Sears Roebuck International
7401 N. Skokie Blvd.
Skokie, Ill. 60076

2. Evaluating price. The buyer will also want price sheets for his files.
3. Customer references. The buyer wants to know who buys what. Foreign department stores don't want to take a chance on unproven products.
4. Supplier terms and ability to deliver.

If interested, the buyer at first may ask you to send samples to the store for evaluation. And before placing large orders, the store may start with trial orders to see how the product sells, and how the supplier performs.

MERCHANDISING SHOWS. Buying office executives attend the major U.S. merchandising events such as major fashion weeks held in New York and Los Angeles, the Chicago Shoe Show, the National Housewares Show, etc. Sometimes, buyers from foreign department stores will make special trips to the United States. Many consumer goods trade shows go to extra lengths to help foreign visitors do business with exhibitors. For example, the organizers of the National Housewares Show provide a special lounge for international visitors. Buyers are generally prepared to place orders at these events.

MADE-IN-U.S.A. PROMOTIONS. Many foreign department stores have discovered that special promotions, featuring U.S.-made goods, can be successful. Recently, Au Printemps, a leading Parisian department store, sold more than $1.5 million in clothing, linens, furs, and textiles, in a special "Made-In-U.S.A. Week." The U.S. Department of Commerce helps those foreign department stores who plan "America Weeks." and it actively tries to stimulate other foreign department stores to consider such themes. The U.S. Department of Commerce will help defray part of the promotion expense, and help the store to locate and purchase specific U.S. merchandise. To get this promotion funding, however, the foreign department stores must agree to buy a specified volume of U.S. consumer goods.

Important point: The U.S. Department of Commerce will register U.S. firms which market certain categories of consumer products which have proven to be best-sellers abroad in special U.S.A. Week promotions. (The box on page 50 lists these product categories.) When a foreign department store agrees to a "U.S.A Week," the Commerce Department puts the store (or its buying office) in touch with the suppliers who are registered with it. Buyers from the store will often make special trips to the U.S. to visit suppliers, frequently accompanied by Commerce Department officials.

TIPS ON TAPPING THIS MARKET. Most companies with a record of successful sales to U.S. department stores should consider the following.

1. Make personal sales calls on buying offices of the foreign department store. If you are a

[2]Chapter 12 describes the steps you can take to meet with foreign buyers at these merchandising events.

manufacturer, and have established sales representatives to handle your U.S. sales, get these representatives to make the sales call. Remember, department store buyers are busy. Telephone for an appointment. As most buying offices are in New York, try to set up several appointments. Put your best foot forward when requesting an appointment. Mention your product and the U.S. department stores in the United States who already buy from you. This is very important. Bring samples, catalogs, and price sheets to the meeting.

2. Register with the U.S. Department of Commerce for their In-Store Promotion Program. Registration forms are available from:

   In-Store Promotion Program
   U.S. Department of Commerce
   Office of International Marketing
   Washington, D.C. 20230

3. Get a schedule of the important merchandising events to be held in the United States which cover your product categories. If you decide to exhibit, let the show's organizers know that you want to meet foreign buyers. Even if you don't take exhibition space, consider visiting the event. Find out if there's an international visitors' lounge and what foreign buyers are registered to attend. You might be able to do business. (More about this aspect in chapter XI.)
4. Develop your sales plan!

TO SUM UP. If you've been successful in U.S. department stores—you might be able to sell to foreign department stores who buy in the United States. The largest have their own buying offices; others use resident buying offices. Selling them is no different from selling to a U.S. department store. Through personal contact, you may become a regular "resource".

THE TOP SELLERS: CONSUMER GOODS WHICH DO BEST IN FOREIGN DEPARTMENT STORES

Many foreign department stores hold "Made in U.S.A. Week" promotions These promotions feature U.S.-made goods, and frequently are accompanied by heavy advertising and other merchandising support. The U.S. Department of Commerce helps foreign department stores hold such promotions. Here are the products which seem to do best in these promotions.

1. Housewares: kitchen utensils, thermos bottles and picnic kits, folding carts.
2. Appliances: refrigerators and small electrics such as blenders, portable mixers.
3. Heat proof and fashion glassware.
4. Towels, sheets, bedspreads, blankets, bath sets, drapes, table linens, rugs.
5. Women's apparel: sportswear, dresses, lingerie, foundations, handbags, belts.
6. Men's apparel: sportswear, slacks, jeans, shirts, underwear, leather belts and wallets.
7. Children's apparel.
8. Sporting goods: golf clubs, golfwear, football equipment and balls.
9. Games, educational toys, tricycles.
10. Cosmetics.
11. Costume jewelry, hair accessories.
12. Tapes, record racks, greeting cards.

CHAPTER XI

SELLING THE FOREIGN BUYER—WHEN HE VISITS THE UNITED STATES

This chapter will be useful to companies which market all types of goods.

FOREIGNERS COME TO BUY. Foreign businessmen come to the United States for a variety of reasons. Some come to call on regular suppliers. Some come to sell—as the United States is the world's leading importer. But many come to buy from new resources. These businessmen may represent a manufacturer who wants to buy equipment or components for his factories, or the buyer may be in business for himself. He may be an importer or a sales representative looking for new lines.

Some foreign buyers arrange their trip to coincide with an important commercial event: a trade show or industry convention. The more sophisticated visitor sets up his itinerary before leaving his country. If he's looking for new suppliers, he often asks U.S. State Department officials in his country to help him. U.S. product directories are an important source of supplier information. Most American embassies have commercial libraries that subscribe to the important ones. Make sure that your products are listed in appropriate directories (see Chapter XIII). There is little you can do to make a foreign businessman visit your company, but you *can* take the initiative in meeting buyers face-to-face when they come to U.S. trade shows.

HOW THEY BUY. A few foreign visitors will buy on the spot. They'll even arrange to pay, from a U.S. bank account, and take delivery in the United States. In this case, your "export" is handled like a domestic sale. Unfortunately, this is a rare event. Many buyers will place orders, but they'll want you to ship to a foreign destination, and pay you from a foreign bank account—after receipt of the goods. (This type of transaction is covered in PART II.) Some, however, will not place orders until they've had time to evaluate products and suppliers, most likely after they've left the United States.

IMPORTANCE OF TRADE EVENTS. Some 500 annual U.S. trade shows and conventions attract foreign visitors. For example, the International Petroleum Exhibition features the latest oilfield equipment of both U.S. and foreign companies. Thousands of oil industry executives attend the show; 400 foreigners were registered as visitors at the 1976 exposition. A comprehensive list of all U.S. trade events is published each year by the U.S. Travel Service, an agency of the U.S. Department of Commerce. Their *Directory of the United States Trade Shows, Expositions, and Conventions* identifies those shows that encourage foreign visitors' attendance. Write: U.S. Travel Service, U.S. Department of Commerce, Washington, D.C. 20230. Ask for the current edition.

THE U.S. GOVERNMENT HELPS FOREIGN BUYERS. The U.S. Government helps foreign buyers locate U.S. suppliers. As mentioned above, American embassies have commercial libraries which the foreign businessman can consult prior to his U.S. trip. And the Commerce Department, through its Foreign Buyer Program (FBP), helps buyers get in touch with U.S. companies.

Here is how the FBP works.

1. *Help for the individual buyer.* U.S. State Department personnel advise the U.S. Commerce Department about foreign buyers who want help in making appointments with U.S. suppliers. FBP officials can identify U.S. suppliers who want to meet the buyer. Once the foreign businessman

GO MEET THEM: FOREIGN BUYERS ATTEND THESE SHOWS

Each year from ten to twenty U.S. trade shows are targeted by the U.S. Department of Commerce's Foreign Buyer Program (FBP) to stimulate foreign buyer attendance and to arrange meetings between foreign buyers and U.S. suppliers at the event. Here are the FBP shows in 1976.*

January 12-16, 1976	NATIONAL HOUSEWARES EXPOSITION	McCormick Place Chicago
January 9-14, 1976	THE TRANSWORLD HOUSEWARES & VARIETY EXHIBITION	Intl. Amphitheater Chicago
January 18-21, 1976	NATIONAL EXPOSITION FOR FOOD PROCESSORS	Civic Center San Francisco
February 1-5, 1976	CONCRETE & AGGREGATE SHOW	Astrohall Houston
February 5-8, 1976	NATIONAL SPORTING GOODS ASSN.—47TH ANNUAL CONVENTION AND SHOW	McCormick Place Chicago
April 5-8, 1976	NATIONAL MATERIALS HANDLING SHOW	McCormick Place Chicago
April 28-30, 1976	SOUTHERN FURNITURE MARKET	High Point, N.C.
April 5-8, 1976	DESIGN ENGINEERING SHOW	McCormick Place Chicago
May 2-5, 1976	SUPER MARKET INSTITUTE—SMI CONVENTION AND EDUCATIONAL EXPOSITION	Dallas Convention Center Dallas, Texas
May 10-13, 1976	ELECTRO '76 (COMBINES IEEE/ INTERCON AND NEREM)	Hynes Memorial Auditorium and Sheraton Boston Hotel, Boston
May 17-21, 1976	INTERNATIONAL PETROLEUM EXPOSITION (IPE-ENERGY '76)	Tulsa Exposition Center Tulsa, Oklahoma
September 8-17, 1976	INTERNATIONAL MACHINE TOOL SHOW (IMTS-76)	McCormick Place Chicago
October 10-14, 1976	FOOD & DAIRY EXPOSITION '76	Atlantic City New Jersey
October 21-29, 1976	AMERICAN TEXTILE MACHINERY EXHIBITION-INTERNATIONAL	Greenville, South Carolina
October 25-29, 1976	PACKAGING WEEK/USA EXPOSITION & ASSEMBLY	McCormick Place Chicago
December 6-10, 1976	NATIONAL PLASTICS EXPOSITION	McCormick Place Chicago

*These are an indication of the type of show chosen. The same ones are not necessarily picked for 1977 and 1978.

arrives, FBP officials can arrange appointments with U.S. companies. Since its inauguration in 1974, the FBP has helped several hundred foreign buyers buy a wide variety of products: fire engines, water meters, chain saws, and even a fleet of second-hand taxis.

2. *Five ways FBP helps at trade shows.* Each year the Foreign Buyer Program selects up to 20 trade shows, those whose products have a high foreign potential.

a. The FBP stimulates foreign buyer attendance. The show organizers must set up a meeting place where buyers and sellers can meet.

b. The State Department publicizes the event in foreign markets.

c. FBP officials ask the show exhibitors if they want to meet foreign buyers. Lists of these firms are circulated abroad.

d. The FBP gets the names of foreigners who plan to come to the show. These lists, in turn, are

given to the U.S. exhibitors. They are also available to nonexhibitors.

e. FBP officials attend the show to help arrange meetings between foreign visitors and U.S. suppliers. The box on page 84 lists FBP-sponsored trade events in 1976.

3. *Help with specialized buying groups.* The Foreign Buyer Program also helps groups of foreign buyers, usually in connection with a trade show or convention. FBP officials suggest itineraries and help set up supplier appointments.

   Example: *19 executives with Dutch automotive supply firms were assis.ed by FBP. Potential suppliers were identified, appointments were made, and executives got red-carpet treatment while in the U.S. Results: $100,000 in on-the-spot orders.*

TO REVIEW: HOW TO TAKE ADVANTAGE. Thousands of foreign buyers visit the U.S. annually. Most establish their own inflexible itineraries. There's little a U.S. company not on their schedule can do. But some foreign buyers has visited shows or have asked the U.S. Government for help in locating suppliers. A U.S. company can do some things to increase their chances of meeting these buyers.

1. Register with Commerce's Foreign Buyer Program. This simply requires you to send information about your firm and product. It will be kept on file if a foreign buyer inquires about potential suppliers of products like yours. Ask also to be placed on the mailing list to receive lists of U.S. shows selected for the Foreign Buyer Program. Write: Foreign Buyer Program, U.S. Department of Commerce, Washington, D.C. 20230.

2. If your firm exhibits at a trade show, tell the show's organizer that you want to meet foreign buyers.

3. If you plan to visit a trade show, check to see if Commerce's Foreign Buyer Program has targeted it for their special efforts. If so, tell the Commerce's Foreign Buyer Program—in advance—of your plans to attend the show, and your interest in seeing foreign buyers.

4. As mentioned above, some foreign buyers will place orders which call for shipment to a U.S. location and which will be paid for in the United States. However, many foreign buyers may not want to offer these terms. *Don't turn them away.* First, see if they'll change their minds after you've explained your lack of experience in exporting to foreign locations. Many will then adapt to your wishes. (If they're unwilling and you still want the business, transactions of this type are covered in PART II of this handbook.)

TO SUM UP. Thousands of foreign buyers visit the United States each year. Many are prepared to place orders, take delivery in the U.S., and pay for the goods from a U.S. bank account. In some cases, buyers have set up their appointments prior to their departure. They have no interest in seeing potential suppliers. In other cases, foreign buyers want to meet new suppliers. They often identify these buyers from U.S. Buyers Guide and directories. They ask for help from the U.S. Department of Commerce in meeting potential suppliers. U.S. firms that want to meet foreign buyers can register their interest with the Commerce Department.

CHAPTER XII

SELLING TO U.S. BUYING OFFICES OF LARGE FOREIGN FIRMS

This chapter will be useful to suppliers of industrial goods.

The previous chapter discussed how foreign buyers make short trips to the United States to locate suppliers. Some big foreign firms buy such large amounts of U.S. goods, they have their own U.S. buying office. Or they "hire" an independent U.S.-based company which specializes in purchasing for foreign companies. Foreign firms might:

1. Establish their own branch office which does nothing but purchase U.S. goods. (This is relatively rare.)
2. About a thousand foreign firms now have U.S. factories. Firms who need U.S. products in their home country frequently ask their U.S. affiliates to do the purchasing.
3. Many firms use independent U.S. companies who specialize in purchasing for export. Some may be "export merchants"—who will buy from the U.S. supplier and resell to the foreign company. Others work more as buying offices (as described in Chapter X). These firms do not take title to the goods. They are paid a fee (or commission) by their foreign customer.

PURCHASING PATTERNS VARY. Becoming an approved supplier to a foreign buying office may be a time-consuming process. Sales may come slowly. On the other hand, purchasing may be simple and straightforward.

Some firms will ask for delivery in the United States; they will pay you from their U.S. bank accounts. Others may ask to pay from abroad. (These transactions can be arranged so that payments actually are made through a U.S. bank. For information, see PART II of this handbook.) Even in this latter case, buying offices in the United States often help to arrange the transaction. So normally, this type of a sale is just like selling a U.S. customer.

THE LARGEST FOREIGN CORPORATIONS PROBABLY HAVE U.S. AFFILIATES. About 1,000 of the world's largest companies have established U.S. manufacturing operations. Many of these U.S. affiliates have purchasing departments that buy what's needed for their U.S. plants and offices, as well as buying U.S. goods for use in home-country manufacturing operations.

THE SIEMENS STORY. The brief description of Siemens of Germany which follows illustrates this point. Siemens, with worldwide sales exceeding $9 billion, is the fifth largest electronic company in the world. Siemens has 50 plants in Germany. Five of its 51 foreign plants are in the United States. Siemens has established its U.S. corporate offices in Iselin, New Jersey. Purchasing for Siemens' five U.S. plants is done here. It also purchases U.S.-made goods for Siemens' other operations. Most often, Siemens in Germany specifies the supplier.

One purchasing executive states, "We either buy from the supplier who's been specified, or we'll scout the market for an equivalent or better product at a better price." Information is forwarded back to the German requisitioner for their decision. Purchasing officials at Siemens' U.S. corporate offices also keep close tabs on the U.S. market for new products not likely to be known by Siemens in Germany. They're helped in this search through subscriptions to several U.S. electronics trade magazines. They also use Buyer Guide directories and visit electronics industry trade events. Once the purchasing decision is made, Siemens' U.S. corporate offices place the order, take delivery, and arrange for payment to the U.S. supplier.

TIPS ON TAPPING THIS MARKET. Foreign firms that buy through offices in the United States often look for new suppliers. Thus, there's a chance you'll be contacted if you are listed in appropriate Buyer Guides (see Chapter XIII for a discussion of Buyer Guides). You may not realize it but one or more of your customers may be a subsidiary of a foreign firm. Thus, you may already be "exporting" to their parent corporation.

This segment of the U.S.-for-export market is difficult to identify. There is no convenient listing of independent buying offices. And even lists of foreign firms with U.S. subsidiaries won't necessarily indicate their purchasing needs for "export."

1. Get a listing of foreign firms with U.S. subsidiary companies. Two sources provide this information.
   a. *Directory of Foreign Manufacturers in the United States.* This 150-page book lists names,

addresses, and telephone numbers of 1,000 U.S. manufacturing subsidiaries of 700 foreign firms. Also indicated are products made. Not all, of course, will have a purchasing department that buys U.S. goods for export back to their parent companies. A good business library should have this directory. Otherwise, it's available ($7.50) from the Institute of International Business, Georgia State University, 33 Gilmer Street, S.E., Atlanta, Georgia 30303.

b. *List of Foreign Firms with Some Interest/Control in American Manufacturing and Petroleum Companies in the U.S.* This free directory lists U.S. subsidiaries of foreign firms. Contact: Office of International Finance and Investment, U.S. Department of Commerce, Washington, D.C. 20230.

2. Contact those firms that seem to be in your field. Tell them about your interest in supplying your product for export to their parent company. Ask if they buy for the parent company. And if not, if they know how it's done. (This approach might even uncover new domestic customers!)

3. Be on the lookout for inquiries from U.S. subsidiaries of foreign firms or from their U.S. buying offices. If the foreign firm wants delivery to a foreign location, and if they want to pay from a foreign-based account, explain your inexperience in handling these details. Request shipment to a U.S. location, and payment from a U.S. account. They may agree. This situation is covered in detail in PART II, "Developing Your Own Export Expertise."

TO SUM UP. Many large foreign firms who buy substantial volumes of U.S.-made products either have their own U.S. purchasing offices or use the services of "resident" buying offices. Unfortunately, there's no precise listing for these firms, nor an estimate of the size of this specialized U.S.-for-export market. Most firms actively seek U.S. suppliers. There's little a U.S. firm can do to mount an aggressive marketing campaign to reach them. But if a U.S. company gets "export" orders from (or on behalf of) these firms, then shipments and payments will be similar to what goes on with U.S. customers.

Foreign firms with U.S. subsidiary companies are listed in various directories. Approaching these companies about the potential for "export" of goods to the parent company may uncover business opportunities.

CHAPTER XIII

THE U.S.-FOR-EXPORT MARKET—REVISITED

This chapter will be useful to virtually all new-to-export firms.

A LARGE MARKET: MANY DIFFERENT SEGMENTS. Probably one of every three export shipments leaving the U.S. destined for any one of the more than 100 foreign markets was actually sold—or specified—in the United States. For the most part, the U.S. supplier did not have to worry about export shipping details. The goods were delivered to a U.S. location. And the U.S. supplier was paid from a U.S. bank account just like other domestic businesses. The preceding chapters have discussed the 11 segments that comprise this U.S.-for-export market.

Most buyers (or specifiers) don't wait for U.S. suppliers to contact them. They actively seek out present and potential suppliers. Some ways in which these buyers locate suppliers include:

1. *Buyer Guides.* Purchasing executives rely on a host of general and specialized directories which list suppliers for specific product categories. Directories range from comprehensive general catalogs such as *Thomas' Register,* a listing of 100,000 U.S. manufacturers categorized by 80,000 products, to specialized guides covering a particular industry such as the air-conditioning industry.

2. *Trade Publications.* Firms who purchase or specify for export frequently subscribe to specialized industry publications. These magazines announce new products, discuss product applications, and contain supplier advertisements—all potential sources of information for the purchasing executive.

3. *Trade Events.* Buyers may attend trade shows, and conventions, to get information about products and suppliers.

U.S. suppliers should make sure they are to be listed in appropriate directories; they should consider advertising in trade publications; and they should participate at trade events, even if only as a visitor.

BUYER GUIDES. Most export buyers located in the U.S. consult Buyer Guide directories. These directories of companies and products are published by business magazines, usually as special issues, or by publishers whose main business is putting out directories. Most guides list all firms in a particular industry, or for specific product categories. Listings in some guides are free; others cost a nominal amount. Most will also sell advertising space, or offer an opportunity to include additional information in the firm's listings at a modest fee.

DIRECTORY EXAMPLES. The best known and used Buyer Guide is the telephone company's Yellow Pages. However, they're generally limited to services and supplies. One well-used guide to industrial products is *Thomas' Register,* a six-volume directory containing over a million listings of sources for 80,000 product classifications. Purchasing executives at most large firms are subscribers. *Thomas' Register* is also found in the commercial libraries maintained in U.S. Embassies and Consulates abroad, where foreign businessmen interested in locating U.S. suppliers may refer to them.

An example of a specialized industry directory published by a trade magazine is the annual directory issue of *Air Conditioning, Heating & Refrigeration News.* This directory lists 12,000 suppliers (wholesalers as well as manufacturers) of over 7,000 air conditioning and refrigeration components and services. The *Marketing Directory* of the weekly magazine *Aviation Week and Space Technology* lists suppliers for 2,000 different products.

Most guides pride themselves on being comprehensive. Thus, they may solicit your listing. And, if you are not listed, they'll welcome your inquiry.

TIPS ON GETTING LISTED. Listing in appropriate guides is a must for those firms who seek U.S.-for-export business.

1. Identify the most important general and specialized Buyer Guides covering your industry. The box on page 57 suggests sources for identifying such Guides.
2. Contact the publishers. Indicate your interest in listing. Include brochures or catalogs describing your products. You'll probably get back a form to complete. Some Guides offer free listings. Firms may have an option to include additional information at a modest fee.

EXHIBITING AT TRADE EVENTS. A popular way to attract new customers and cement relationships with old ones is to exhibit your products at a trade show. Many attract foreign as well as U.S.-for-export buyers. Some events generate more interest than others. As a general rule, a major trade show or convention geared to an industry doing a thriving export business will attract both foreign and U.S.-for-export buyers. If your company exhibits at these events, you can take action to help attract the U.S.-for-export buyers.

1. Alert your personnel attending the event to look out for U.S.-for-export buyers.
2. Find out from the event's organizers if special efforts are being made to attract export buyers. If so, register your interest.
3. Insure you are listed in the trade show's catalog. These are used as supplier guides long after the event.

Even if you're not an exhibitor, you might still be able to meet export buyers seeking products similar to yours. Find out (preferably in advance of the event) if there's to be a foreign visitors' lounge—and whether a list of export buyers will be published.

TO SUM UP. So far, we've covered the large—but frequently overlooked—U.S.-for-export market. It's possible for you to develop an "export" business without leaving the United States, and you won't need any special export expertise. Shipments generally are made to a U.S. location. Thus, the seller doesn't have to worry about export details. You will get paid from a U.S. bank.

THESE SOURCES CAN SUGGEST BEST BUYER GUIDES

Make sure you are listed in appropriate Buyer Guides if you want foreign business. Most firms will know from experience what major directories cover their industry. But if you do not, here is how to identify potential Buyer Guides in your field.

1. *Trade Associations.* Association executives in your industry can provide a listing of important Buyer Guides. Associations themselves often publish product directories.
2. *Trade Magazines.* Editors of industry magazines in your field can recommend guides. Their magazines, too, are likely to have supplier listing issues.
3. *The U.S. Department of Commerce Industry Specialists.* The Commerce Department assigns officials to follow practically every U.S. industry. They are generally willing to identify appropriate guides. (They also can identify important trade associations, industry magazines, etc., as well as provide a wealth of other information about your industry.) Write them: Bureau of Domestic Commerce, (BDC) U.S. Department of Commerce, Washington, D.C. 20230. Or telephone (202) 377-2000. Ask for the specialist who follows your industry.
4. *Specialized Directories.* Directories of directories even exist. *Guide to American Directories* lists 1,500 directories, identifying for each the audience it tries to reach. It's probably available in most business libraries. Published by: B. Klein Publications, Inc., Rye, New York 10580. *Trade Directories of the World* lists U.S. and world buyer guides by industry category. Subscriptions are available ($25) from Croner Publications, Inc., Queens Village, New York 11428.

You may be happy just with this export market segment. You may not want, or have the resources, to do more in export than this. But some firms may want to do more.

PART II of this handbook gives guidance on developing an export business through selling to customers located abroad. There will be opportunities to get profitable business if you're willing to ship to the foreign locations, and if you're willing to accept export payment arrangements. You'll have to get involved with the "paperwork" of export, and you'll have to become familiar with some of the specialized vocabulary of export.

Specialists in District Offices of the U.S. Department of Commerce can provide guidance. See listing on in side back cover.

PART TWO

DEVELOPING YOUR OWN EXPORT EXPERTISE

* * * * * * * * * *

PART TWO serves as a guide to assist firms develop their own expertise in the field of exporting. This portion of the handbook is divided into three sections—each geared to a specific thrust of foreign market operations. A brief introduction precedes each section, explaining the chapters included therein.

SECTION A

HANDLING INQUIRES, QUOTATIONS, SHIPPING, AND PAYMENTS

POTENTIAL FOREIGN CUSTOMERS. No matter what your product, chances are you'll get letters from foreigners asking for information—or even enclosing orders. Most U.S. firms ignore these inquiries. They are uncertain of how to handle exports. Others treat the inquiries like those from U.S. customers and end up making costly mistakes. A few realize that with a little knowledge, profitable sales can be made.

This part of the handbook is for those firms that want additional business—without having to spend a lot of time and money in getting it. It describes how a firm can handle inquiries, prepare quotations, ship goods, and get paid.

A BIG BUDGET UNNECESSARY. While you won't be building a big export business in this stage, you won't be spending a lot of money—or time. It won't hurt your cash flow (in fact, it might even help it), and you won't have to hire specialists. The export sales you do make will be profitable. And remember, most successful exporters started this way.

CHAPTER I

WHAT TO DO WHEN YOU GET INQUIRIES FROM ABROAD

INTRODUCTION. U.S. companies export because it is profitable. But if you ask their managements about the background of their first order, they usually will reply "we received a query (letter) from a foreign firm." More U.S. companies become exporters because they get inquiries from foreign firms than for any other reason. Knowing what to do when you receive a foreign letter may be the key to starting a thriving export business.

HOW FOREIGNERS HEAR ABOUT YOU. A businessman abroad may already know of your product. Here's how:

1. A foreign businessman may see your listing in a U.S. Buyer's Guide Directory. Many foreign firms, particularly sophisticated ones, either buy these guides or get one from a friend in the States. Other foreigners may use the guides on file in American Embassy libraries.
2. A foreign businessman may see your advertisement or read about your company in an American magazine. Many U.S. magazines have a large foreign circulation. For example, *Chemical Week* has 8,000 readers outside the United States, 15% of its total circulation.
3. Your product may already be abroad and you may not even know it! Even if you haven't exported, somebody else may have shipped it overseas. How did your product get there? Many foreigners come to the United States—some to buy or sell, others are tourists. They may buy your product and ship it home. Also, don't forget that 25,000 foreign students go to American colleges. Many are children of prominent businessmen abroad. They often act as "the eyes and ears" for their family's firm on new U.S. products and suppliers.

WHAT SORT OF INQUIRIES? Most, but not all, foreign letters will be in English. Some will be in a foreign language. Spanish is most likely because of the huge $20 billion Latin American market for U.S. exports. However, you may also get inquiries in German, French, Italian, or in the more exotic tongues such as Arabic or Chinese. Foreign language inquiries may pose special problems unless someone in your firm can translate them.

WHAT TO DO WITH LETTERS IN A FOREIGN LANGUAGE. You have several options.

1. File it. This may be your wisest choice, particularly if you do not plan a deep involvement in export. Chances are the inquiry won't lead to business. A serious customer would write in English.
2. Send the letter back with a note that your firm only corresponds in English. If the foreigner is interested, he will have his original letter translated and send it back.
3. Translate the letter. (More about this on page 64).

WHAT ARE INQUIRIES LIKE? Some firms will want to use your product. Others will want to sell it in their market. Both will want product and price information. You will be asked for samples if you make consumer products. Some firms may know your product and want to place an order. They will want delivery dates and estimated shipping costs perhaps on your product delivered to a U.S. port or to a location in their country. However, other letters could be from individual businessmen who act as sales agents—similar to manufacturer's representatives. They usually sell on commission only.

LETTERS FROM THE GENERAL PUBLIC. Some letters will be from individuals. Remember, most of them do not have any prchasing power students, housewives, or would-be entrepreneurs.

OUR ADVICE. Obviously you won't pay much attention to letter writers who can't buy from you, such as would-be entrepreneurs or poorly financed importing firms. Without export experience, try to confine your sales efforts to firms that can take delivery in the United States,[1] and that agree to pay on a cash-in-advance or cash-on-delivery basis, or on the same terms you use with U.S. customers. And, at this stage, we suggest you deal only with firms that correspond *in English*.

Exporting can be difficult and expensive, even for the experienced. You may lose business following our advice, but you won't lose money. And once you "get your feet wet," you will find after all that you can broaden your export efforts.

ESTABLISH A POLICY. After receiving an inquiry, the following is our suggestion on what to do in this initial stage:

1. Reply to all letter writers except to those who obviously won't turn into customers. Why correspond if no business will come from your letters?
2. State your policy on export in your initial letter. Do not be bashful about your new-to-export status.
3. Enclose information on your product. (See page ??? for a sample letter on how to reply to foreign inquiries.)
4. Set up a file for foreign letters. They may turn into "live" prospects as your export business grows. Or, if you contract a specialized export middleman to arrange your export sales, he'll use the file.

WRITE AIRMAIL! Sea mail can take weeks, even months. Airmail takes only days. A sea-mail letter to Sidney, Australia may take 2 months to arrive. By jet it will take only 4 days. Note: your postage costs will vary depending on the destination. An airmail letter to Africa or Asia will cost more than one to Europe or Latin America. Special tip: if a foreign firm's letter shows both a street address and post office box, write to the P.O. box. Mail delivery in some countries is so unreliable that even important firms prefer to have mail sent to their post office box.

TO SUM UP. Many U.S. firms get inquiries from abroad without seeking them. The new-to-export firm should note that: some of these letters may lead to "easy" sales. Some foreign customers will accept delivery in the United States and will pay either on a cash-in-advance basis or on delivery.

[1]A later chapter discusses handling inquiries that call for foreign delivery.

WHAT IF LETTERS ARE IN A FOREIGN LANGUAGE?

Most Americans can't read or write another language. So what to do if you get inquiries in Spanish, French, Italian, or German—the major commercial languages abroad? If you aren't ready for a concentrated export effort, we recommend a reply in English. Apologize for your lack of response in their language, and ask them to translate their letter.

If you're interested in developing your exports, letters can be translated, but don't do it yourself. You may be able to puzzle out a letter for yourself, but you're likely to miss an important word or two. Here are some suggestions:

1. Check with your bank. If it has an international department,[1] it will be able—and willing—to translate your letter.
2. Contact the U.S. Department of Commerce's District Office closest to you. Its international business specialist may suggest a "free source," or give you the names of commercial translation services. A list of addresses is given on page inside back cover.

YOUR BEST BET: A COMMERCIAL TRANSLATION SERVICE. You'll find translators in every U.S. city. They handle every type of document from single-page letters to contracts with complicated engineering specifications. Charges for common commercial languages such as Spanish, German, Italian, and French average $6.00 per hundred words, usually with some minimum charge. A Washington, D.C., translation company charges a flat $10 to translate a one-page letter. Check the yellow pages of your telephone directory for a list of translation firms or ask the nearest Commerce Department District Office for its suggestions[2]. After translating the inquiry, you may find it's an "easy-to-sell" inquiry!

[1]Of the 14,000 commercial banks in the United States, some 300 have international capabilities.

[2]The American Translation Association has a Professional Service Directory. It lists 700 firms which have all passed a special translation competency test. A good business library should have it (or contact them at P.O. Box 129, Croton-on-Hudson, New York 10520.)

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(A "general" reply to a foreign inquiry
for a new-to-export firm)

April 1, 197-

ABC, Refrigeration
1500 Pembridge Crescent
London, MK 46 4BN England

Gentlemen:

Thank you for your letter dated (name date). We have enclosed information describing our products.

Our firm is interested in supplying you with our products. However, we are new to international business. For now, our policy is as follows:

1. All foreign orders must be shipped to a destination in the United States.

2. Payment in dollars must accompany orders. Our terms are (name terms) for customers with satisfactory credit ratings who can arrange payment from a U.S. bank account.

3. All correspondence must be in English.

We regret if this policy causes you inconvenience. Our U.S. market is growing so fast we must postpone our plans to sell outside the United States except under the conditions outlined above.

Our products have wide acceptance in the United States. Some of our customers include (name customers).

We look forward to your reply.

Sincerely,

Nelson T. Joyner, Jr.
President

CHAPTER II

HOW TO HANDLE THE "EASY-TO-SELL" INQUIRY

INTRODUCTION. Many U.S. firms have no time for export as they are busy taking care of U.S. customers. However, some foreign customers will accept delivery in the United States. Some will pay you cash in advance or from a U.S. bank account on delivery. This is "plus business." As you can get it with little additional expense, this is the "easy-to-sell" inquiry or letter. In this chapter we will discuss how to recognize one and how to convert it to a sale.

HOW TO RECOGNIZE AN "EASY-TO-SELL" INQUIRY. Here is what you should look for to determine if you have an "easy-to-sell" inquiry that will turn into a firm order.

1. The letter must be in English.
2. It will ask for price and delivery information. It "looks like" it will lead to an order.
3. It calls for shipment to a U.S. location.
4. Most likely this type of letter will come from a large foreign manufacturer, perhaps an oil company, a large buying cooperative, or from a foreign government. It indicates you will be paid from a U.S. bank account. See page 67 for an example of an "easy-to-sell" inquiry.

CANADA AND PUERTO RICO ARE SPECIAL CASES. Inquiries from Canada and Puerto Rico could be "easy-to-sell" inquiries even if they request shipments to the customer's plant or warehouse and even if payment will not be in the United States.

Puerto Rico. U.S. firms shipped $2.9 billion worth of goods to Puerto Rico in 1975. Puerto Rico is not a foreign country but a U.S. territory. Doing business in Puerto Rico is much like doing business in the United States. English is used in business; the U.S. dollar is the official currency and many "mainland" companies have Puerto Rican branches.

Canada. U.S. firms exported over $11 billion last year to Canada, our largest "export" market. Doing business in Canada is also like doing business in the United States. English is used commercially in much of Canada. Consumer and industrial buying habits are practically the same. Communications are excellent to and within the country. The Canadian dollar is almost the same as the U.S. dollar and there are no currency restriction. Most banks readily convert Canadian to U.S. dollars. Large Canadian firms usually keep U.S. dollar accounts. You will have few problems in shipments to Canada. The Canadian government imposes duties (special taxes) on most U.S. goods. However, duty payment is your customer's responsibility.

HOW TO REPLY TO AN "EASY-TO-SELL" INQUIRY. The "easy-to-sell" inquiry comes in English. You will reply in English, quoting your product price at your factory plus the shipping cost delivered to a U.S. location. You will also ask for payment with the order—provided you are satisfied the foreign firm meets your credit requirements (this is very important!). If the firm follows up with an order and a check, you have no risk. If the company prefers to pay on delivery or with your regular shipping terms, you want to make sure they can pay their bills.

HOW TO ANALYZE A FOREIGN LETTER. A letter's appearance can often give you clues as to the firm's importance. Watch for these points:

1. Is the letter typed? If it isn't, chances are it will never be an "easy-to-sell" inquiry.
2. Is it on a business letterhead? Letters from individuals or "firms" without business letterheads hardly ever result in orders. They usually indicate "catalog collectors."
3. Does the letterhead have a telex and/or cable address, bank references, etc.? If these items are missing, it probably will not be an "easy sell."

THE FOREIGN BUSINESS LETTERHEAD

If you receive a letter from abroad—even if it's in a foreign language—what's printed on the letterhead can give you a clue as to the company's worth. Here are elements to look for.

ABC REFRIGERATION CO., LTD.

Post Office Box 25 / 1500 Pembridge Crescent / London, MK 46 4BN England

lephone: 01-355-1414
lex: 825540
ble: ABCREF

Banks: Union Bank, Ltd.
British Bank, Ltd.

(A sample of an "easy-to-sell" inquiry from abroad)

Reference: 12-76

Your Company, Inc.
111 Main Street
Hometown, Virginia 22101
U.S.A.

Gentlemen:

We understand YCI manufactures ice machines. Please quote your best price and delivery for three (3) of your Model 3L ice making machines, shipped to our agent in New York, John A. Day and Company.

Upon receipt of this information, we will instruct our agent to place an order with you for these machines. Upon shipment, we have arranged to issue you a check, in full payment, drawn upon the International Bank and Trust in New York.

We need this equipment immediately for our production line. We look forward to your quick reply.

Sincerely,

R. E. Jones
Managing Director

This inquiry looks as if it is from a substantial firm. Note that the company lists a telex address and two bank references. Further checks could be made to see if the firm is listed in one of the directories identified on page ???. A telephone call to the WTDR section of the U.S. Department of Commerce (see page 68) is another quick way to check on foreign firms.

FIRM NAME/ADDRESS. Is the firm incorporated? This usually, but not always, is an indication of substance. U.S. firms generally use the abbreviation "Inc.," for incorporated. Here's what to look for in various countries.

Country	*Equivalent to "Inc."*
Canada, United Kingdom	Ltd.
Germany, Austria	A.G.
France, Italy, Spain, Portugal, Latin America	S.A.
Sweden	A.B.
Japan	K.K.

If the firm's country is not included in its address, this means it is using a "domestic" letterhead and is one indication of no international business experience.

CABLE ADDRESS. Sophisticated world traders generally list a cable[1] address. This is a "code" of ten letters or less registered with the telegraph office that stands for the firm's name and address. If you want to cable the firm, just use the cable address. It's a "short cut" to save you money.

LOOK FOR TELEX ADDRESS. Experienced companies also have a Telex address listed on the letterhead. Telex is another means of transmitting messages. "Calling" a firm by Telex requires knowing their Telex address—a series of numbers not unlike a firm's telephone number. Note: firms that do not have a cable or Telex address on their letterhead probably aren't experienced internationally, and may not be able to accept delivery of products in the United States.

OTHER INFORMATION. Other letterhead information to look for: A firm with branch offices in many cities or countries might list them on the letterhead. Banking references might also be included. Look for the firm's founding date. Importers will frequently list foreign manufacturers and/or the brand names which they represent, an excellent source to check if you recognize a U.S. name.

CHECKING ON THE FOREIGN FIRM. You can eliminate many foreign inquiries through a quick analysis of their letter and their business letterhead. On the ones that survive your first cut, you can easily check to make sure they are from substantial firms. One source: The U.S. Department of Commerce in Washington. It maintains files on 150,000 of the top importing organizations throughout the world. If it doesn't have a file on the firm, proceed with caution!

[1]Cable is a telegram.

U.S. State Department officials stationed abroad (Foreign Service officers) analyze foreign firms as to their ability to buy U.S. goods. Their recommendations come in special World Traders Data Reports (WTDR's). However, you can find out if there is a WTDR on the company that wrote to you. Call (202) 377-2000 and ask for the WTDR section of the Bureau of International Commerce. If the WTDR Section has a firm on file, ask if you should do business with this particular firm. If the answer is "yes" you are almost sure that it will pay its bills. If the firm is not on file, you may want to request a report (it costs $15 and may take 30 days), or you may check other sources. They're listed below on this page.

TIPS ON SENDING LETTERS. All your letters to foreign firms should follow the three "P's" of international business correspondence: Be Precise, Be Prompt, and Be Polite. Here are some specific tips on letter-writing which will help you develop business.

1. Respond immediately to an "easy-to-sell" inquiry. A tardy reply may cool his ardor for your product.
2. Make sure your instructions are complete so that the customer can place an order without any further correspondence.
3. Address mail *accurately*. Use airmail and double-check for the correct postage.[2]
4. Make sure your company address is listed on your envelope. If not, you won't get it back if anything goes wrong.

[2]Consider telephoning potential customers in Canada or Puerto Rico, and if language isn't a barrier, think about calling customers in other countries. Rates are not expensive. You can dial direct to Canada and Puerto Rico. And remember, you can accomplish much by telephone that you can't in a letter.

SOURCES OF INFORMATION ABOUT FOREIGN FIRMS

The following sources can help you evaluate a foreign inquiry.

1. *Fortune's 300 Largest Industrial Firms Operating Outside the United States:* the world's largest industrial firms with estimates for their sales and profitability. A good business library will have this list available. (But remember, even the largest firms may be "slow payers.")
2. *Jane's Major Companies of Europe:* the largest European companies, by industry. Reported for each company: annual sales, exports, number of plants, etc. Only larger business libraries will have it.

3. *Dun & Bradstreet's Principal International Businesses:* lists over 44,000 major foreign firms for key areas of the world. Larger business libraries should have it.

4. *Europe's 5,000 Largest Companies.* Boucher, Ltd., publishes this directory of manufacturers and trading (export/import) companies. Again, only the largest business libraries are likely to have it.

5. *Commercial banks.* Bankers have a vast amount of information on foreign firms, or they can easily get it. Banks with international departments usually have this information on tap. Other banks will get this information from larger U.S. banks or foreign banks with whom they regularly do business. (These are called "correspondent banks.")

6. *World Traders Data Reports (WTDR's).* The U.S. Department of Commerce maintains reports on 150,000 foreign firms. They're available for $15 apiece. If a firm isn't on file, the Commerce Department will get one for you. Contact: WTDR Section, U.S. Department of Commerce, Washington, D.C. 20230.

7. *Foreign embassies in Washington.* The commercial (business) section of most foreign embassies have directories of firms located in their country. Some, but not all, embassies may be willing to share this information with you. Inquire.

WHAT IF A "PRO FORMA INVOICE" IS REQUESTED? When you write to foreign firms that "look good," some will respond and ask for a more formal price quotation, called a "pro forma invoice." It isn't a real invoice. It's only a quotation, but in an invoice format. You will rarely see one in domestic business, but they are frequently used in international trade. A foreign firm will ask for a "pro forma" because it wants to find out, in detail, what they will have to spend to buy your product. Thus, they will want the total cost including packing, U.S. domestic freight charges (from your factory to the port), spare parts, sometimes even ocean freight, etc. Importers in Africa and Latin America may need "Pro forma invoice" to comply with local import regulations.

HOW TO PREPARE A "PRO FORMA." They're easy to do. First, list the price of your product on your regular invoice form. Then print or type "Pro Forma Invoice" at the top. Be sure to include the following information.

1. Your firm name and address. (It's probably printed on your invoice form.)
2. The foreign customer's name and address.
3. His letter reference number or the date of his inquiry.
4. A brief description of your goods. This is particularly important.
5. Your terms of sale. (Cash in Advance? Cash on Delivery?)
6. The *total* invoice amount, i.e., all charges which you are passing on to the customer for him to pay.

See page ??? for a sample "pro forma" invoice.

KEEP GOOD RECORDS. Doing business with customers around the world may call for special record-keeping. Here is a simple system that many exporters use.

1. Assign a reference number to all price quotations. For example, some exporters use the year followed by the numver of the quote. Thus, "reference: 76–13" would indicate the 13th quotation made in 1976.
2. File correspondence alphabetically by foreign country.[3] If you anticipate a lot of correspondence with a specific firm, set up a separate file for it within the country file.
3. Institute a correspondence followup system which will let you know what foreign letters haven't been answered.[4]

KEEP YOUR PROMISES. A good way to lose customers is to break promises. The biggest complaint from foreign importers about U.S. suppliers is a failure to ship as promised. Your first order is particularly important as it will shape your customer's image of you as a dependable or nondependable supplier. On a European trip to investigate the export potential for a group of minority-owned U.S. manufacturers, one sales executive reported no apprehension about their being minority owned. But importers were worried about the ability of these firms "to deliver" as none had any export experience. If you are new-to-export, you *must* take two extra precautions.

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[3]The country may be omitted from the foreign firm's letterhead. Thus, experienced exporters staple envelopes to letters they receive from abroad. The envelope postmark or its stamp will identify the country.

[4]Old export hands indicate that a tardy reply isn't the only reason a foreign firm may not write back. Some may never have received your original letter—perhaps it went by seamail or someone didn't use the correct postage.

1. Do not make delivery promises you can't keep.
2. If delays are inevitable, tell your customer immediately—and give him a revised realistic shipping date.

TO SUM UP. You'll get inquiries from foreign businessmen about your product. If you're not interested in, or can't devote the time to exporting, then respond only to "easy-to-sell" inquiries. They will be written in English and most likely will lead to an order which will call for shipment to a U.S. location and payment from a U.S. bank. Don't waste much time on the others. Ignore those that come from housewives or students. "Easy-to-sell" leads may be few and far between, but they mean additional profits.

CHAPTER III

SHIPPING YOUR PRODUCT OVERSEAS

INTRODUCTION. So far, we have concentrated on export sales that do not require shipment to a foreign location. However, many potential customers may be unable or unwilling to accept delivery in the United States.

With little additional risk, you can accommodate them. But to do this you must learn and understand the special "language of export," the various types of export terms. This chapter discusses the shipping terms common to export transactions, identifies shipping documents that may be needed, and describes freight forwarders—specialists who can handle all the export shipping details at surprisingly low fees. A word of caution: thousands of U.S. firms ship their goods to foreign customers every day. Practically every transaction goes off without a "hitch." However, a few will be delayed or canceled because the exporter failed on his paperwork. So don't hesitate to ask for advice

EXPORT SHIPPING TERMS. Understanding export shipping terms becomes easier when you and your buyer understand two things. First, who absorbs the costs involved in shipping your goods from your loading platform in the United States to your customer's receiving dock in a foreign location. (The box on page below identifies ten possible costs of export shipment.) Secondly, who owns the goods at various physical stages of the export shipment.[1]

[1]Who owns the goods—you or your customer—is an important question when damage, loss, or pilferage takes place on the long trip from your factory to his warehouse.

TEN POSSIBLE COSTS IN AN EXPORT SHIPMENT

Depending on the country and the mode of shipment (by sea or air) there are costs involved in an export transaction. In some cases they can equal or exceed the value of the goods! It is important to know who will pay these costs: you or your customer. And if you have to pay those costs, you'll want to recover them. Either add them to your invoice or include them in the price of your goods.

1. Export packing. Most shipments by sea call for special packing to protect the shipment from rough handling, pilferage, dampness, or humidity.

2. Transportation costs from your factory to a sea or airport. These are called "inland" freight charges.[1]

3. U.S. and foreign port charges. There may be chagres for unloading or loading, or storing goods, or for dock space before they are loaded on a ship

4. Customs documentation charges. Some foreign countries require special documents to identify the origin and/or value of the shipment. Some cargo, such as livestock, may require special inspection certificates.

5. Freight forwarder charges. Most exporters use international freight forwarders to handle export shipping details. Their charges are nominal. The foreign customer may also use one to handle his imports.

6. Freight costs to the foreign country. Foreign freight charges depend upon the type of commodity, its weight, its volume, and its mode of transportation (sea, air, or truck).

7. Insurance costs. Cargo insurance to cover the risks inherent in a long trip.

8. Import tariffs (taxes). Foreign governments put tariffs on most imported goods either as a money-raising device or to protect local production.

9. Transportation from the port in the customer's country to his warehouse.

10. Financing charges. If banks help collect payment, or if they help finance the shipment, there will be fees and/or interest charges.

[1]Railroads and truckers often have lower rates on export cargo.

A wide variety of shipping terms are used in the United States. Some firms sell their goods F.O.B.[2] their factory or warehouse. The customer is responsible for all shipping costs from that point on. Some sell F.O.B. factory, freight allowed. The seller pays the freight. When goods are sold on a C.O.D.[3] basis, the buyer does not get the goods until he pays for them.

U.S. customers know where your factory is located and can easily arrange for shipping. However, your foreign customers are thousands of miles from you and are unfamiliar with U.S. geography. Thus, some may want a price for your goods at a location familiar to them. For example, some will want your price based on delivery of your goods to a U.S. or foreign pier, or to an airport. To make export trade easier, standard terms have been developed. The most important export shipping terms are as follows:

1. Ex Factory: The price of goods waiting for the customer at your factory loading dock. The buyer owns the goods at this point, and bears all risks and costs in getting the products delivered to his warehouse abroad.[4]

   Example: *YCI, a manufacturer of icemakers, sells three units to a German firm "Ex Factory St. Louis, Missouri." The German firm pays all shipping costs needed to get the icemakers to its German location. (The U.S. firm will usually arrange for inland transportation.)*

2. F.O.B. (named point): The price at the place named. The named point can be anywhere agreed to by the buyer and seller. Points commonly used in export trade are a carrier (truck, rail car) beside the seller's factory, or a port location (example, F.O.B. truck, New York); a pier or vessel (example, F.O.B. vessel).

   Example 1: *YCI, the U.S. firm, quotes F.O.B. truck at St. Louis, Missouri for the 3 icemakers. YCI must place the ice-makers on the truck (or deliver them to the trucking company); provide a domestic Bill of Lading;[5] and help the German firm, if requested, with the necessary U.S. Government export documents.*

   The German firm is responsible for all transportation costs from the factory and for special fees levied in exporting the icemakers to Germany; it is responsible for any loss or damage after the icemakers are on the truck; and it pays all costs for the necessary export documents. (Frequently, U.S. suppliers will make arrangements for inland transportation, if requested.)

   Example 2: *YCI quotes F.O.B. "Yankee Clipper", New Orleans. Under these terms, the U.S. firm pays all charges for placing the icemakers on board the ship "Yankee Clipper" prior to its sailing date; provides the German firm with an ocean Bill of Lading; is responsible for loss or damage until the icemakers are loaded on the "Yankee Clipper;" and helps the German buyer, if requested, with the necessary U.S. export documents.*

   As he has specified the ship he wants to use, he must give the U.S. exporter adequate notice of the sailing date, where the ship is located, and delivery instructions. If the "Yankee Clipper" fails to show up or fails to load within the designated time, the foreign firm bears all costs for the delays and all shipping costs to Germany once the icemakers are loaded on the ship. It pays all costs and charges for obtaining U.S. export documents. The U.S. firm may, if requested, book space on the "Yankee Clipper" and take care of the needed documentation.

3. F.A.S.[6] Vessel (named port of shipment): The price of goods delivered on the docks before loading. The buyer is responsible for goods once they are "along side the ship"—in other words, on the dock. While the buyer is supposed to arrange for freight space and insurance, in many cases the U.S. supplier does this for him and provides for shipment on behalf of the buyer. In other cases, the buyer notifies the seller to make delivery alongside a designated vessel, and provides his own insurance. Therefore, it is important for both seller and buyer to agree on who will book the freight and buy insurance.

   Example: *YCI, the U.S. manufacturer, quotes the German firm "F.A.S. Yankee Clipper New Orleans" for the 300 icemakers. The U.S. firm's responsibilities are similar to those described in example 2 (above) for the cost of loading the cargo on the ship.*

4. C.I.F.[7] (named point of destination): The price includes the cost of the goods, cargo insurance, and all transportation charges to the named point of destination.

   Example: *The U.S. manufacturer quotes its German customer C.I.F. Bremerhaven for 300 ice-*

[2]F.O.B. stands for Free on Board.
[3]C.O.D. stands for Cash on Delivery.
[4]Generally, the seller will arrange for an inland carrier (a trucking firm, a railroad, etc.) to pick up the goods, if requested by the buyer.
[5]Bill of Lading is a contract between the shipper (manufacturer) and the carrier. It is also used as a receipt. It indicates the carrier has possession of (but not title to) the goods, and the condition of the goods at the time the carrier takes them. (See page 75 for a more detailed description of a Bill of Lading.)
[6]F.A.S. stands for Free Along Side.
[7]C.I.F. stands for Cost, Insurance, Freight.

makers. The U.S. firm pays for transportation and insurance to Bremerhaven (an important German port); and is responsible for any loss until the ice-makers have been loaded on the ship.

The German firm handles and pays for all subsequent movement of the shipment and is responsible for cargo loss once they have been placed on board the ship. The box on page 74 summarizes who absorbs various costs and where title passes for the most commonly used terms.

A common variation of this shipping term is C. & F.,[1] (named point of destination). This quotation will not include the cost of insurance.

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[1]C. & F. stands for Cost & Freight.

WHO'S RESPONSIBLE FOR COSTS UNDER VARIOUS TERMS

Terms / Cost Items	F.O.B. (Free on Board) Inland Carrier at Factory	F.O.B. (Free on Board) Inland Carrier at Point of Shipment	F.A.S. (Free Along Side) Vessel or Plane at Port of Shipment	C.I.F. (Cost, Insurance, Freight) at Port of Destination
Export Packing[1]	Buyer	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller
Port Charges	Buyer	Buyer	Seller	Seller
Forwarder's Fee	Buyer	Buyer	Buyer	Seller
Consular Fee	Buyer	Buyer	Buyer	Buyer[2]
Loading on Carrier (vessel or plane)	Buyer	Buyer	Buyer	Seller
Ocean Freight	Buyer	Buyer	Buyer	Seller
Cargo Insurance	Buyer	Buyer	Buyer	Seller
Customs Duties	Buyer	Buyer	Buyer	Buyer
Ownership of Goods Passes...	When goods onboard an inland carrier (truck, rail, etc.) or in hands of inland carrier	When goods unloaded by inland carrier	When goods alongside carrier, in hands of air or ocean carrier	When goods on board air or ocean carrier at port of shipment

1. Who absorbs export packing? This charge should be clearly agreed upon. Charges sometimes controversial.

2. The seller has responsibility to arrange for consular invoices (and other documents requested by buyer's government). According to "official definitions," buyer pays fees, but sometimes as a matter of practice, seller includes in quotations.

WHICH SHIPPING TERMS ARE FOR YOU? What do you do if you receive an inquiry calling for a C.I.F. quotation? We recommend that you quote a guaranteed price which includes all charges for shipping the goods to the port or airfield; in essence, this is an F.A.S. (vessel-or-plane) quotation.

If you wish, you can add the *approximate* charges for further cost so that the buyer can easily arrive at his own estimated C.I.F. cost.* You should indicate, however, that actual costs will be charged upon shipment. A freight forwarder can estimate these charges for you.

If an F.A.S. (vessel) quote is too difficult, as a minimum, we recommend a guaranteed Ex Factory price with estimated inland transportation charges to the port where the goods will be exported.

THE LONG TIME FRAME OF AN EXPORT SHIPMENT. U.S. domestic shipments can reach customer in no more than 4 or 5 days by train, truck and cargo or parcel post. But the time frame of our export shipment is much longer. It takes up to a month for a customer in Milan, Italy, to receive goods shipped by sea. Your customer in Japan or Australia may not get your goods for 45 days. (Air freight, of course, speeds delivery, but it still may be 6 days before your customer actually receives shipment.)

The longer time frame needed for an export shipment may be obvious but the new-to-export firm should also know that exporting requires some special paperwork that is not needed in domestic business. (See page below for special export documents.)

OCEAN SHIPMENT. Most export shipments go via ship; it's much cheaper than air shipment. Disadvantages of ocean shipment: paperwork and the extra packing needed to protect goods from rough handling and the corrosive atmosphere; also, many ports have congestion problems and frequent longshoremen strikes.

Containerization eliminates some of these disadvantages. It's now possible to pack your goods in a container at your factory door, seal it, and ship it, seals unbroken, to your customer's doorstep.

AIR SHIPMENT. International air cargo is growing. It has the obvious advantage of speed, savings in packing costs, and insurance charges. Also, the export paperwork is less. Cargo rates are higher than ocean freight, but exporters should compare ocean and air rates for their specific product.

RAIL AND TRUCK. Two of the largest U.S. export markets, Canada and Mexico, can be served by road or rail. No special packing is needed and delivery times are reasonable. (But Mexican custom formalities can delay delivery.)

*You may lose some business by not quoting C.I.F. It's a common term in many countries.

THE FREIGHT FORWARDER: YOUR BEST FRIEND IN EXPORT. Theoretically, any firm new to export can handle export paperwork, book space on a ship or a plane, arrange for insurance, etc.—that is, if it had the staff and knew where to go for the information. However, specialized firms—called International Freight Forwarders—are available to relieve exporters of these headaches.

The freight forwarder is a most important link in the export transaction. Our advice: a new-to-export firm should use one.

DOCUMENTS! DOCUMENTS!

Sometimes exporters feel their shipments will drown in red tape and paper. Here are the major documents so he can take possession of your products once they have arrived in his country. governments.

YOUR CUSTOMER. Your customer needs documents so he can take possession of your products once they have arrived in his country.

1. *Commercial invoice.* You (or your forwarder) prepare this. The buyer needs it so he can "prove" ownership and can arrange to pay you.
2. *Ocean (or airway) Bill of Lading.* A carrier (or freight forwarder) prepares this. It's a contract between the owner of the goods and the carrier. It indicates the condition of the merchandise upon the carrier's acceptance. The customer usually needs the original or a copy as proof of ownership to take possession of the goods.
3. *Insurance certificates,* which indicate coverage of goods against loss or damage. It's prepared by you or your forwarder.
4. *Packing lists,* which show the quantity and type of merchandise shipped. You prepare.

THE U.S. GOVERNMENT NEEDS DOCUMENTS.

1. *Export Declaration.* You or your freight forwarder prepare this for all shipments valued in excess of $250. It's used to control U.S. exports and as a source for export trade statistics. See the box on page 77 for an explanation.
2. *Export License.* 99% of all U.S. export shipments *don't* require a formal export license. If one is required, you (or your forwarder) apply and the government issues. See the box on page ??? for an explanation.

FOREIGN GOVERNMENTS. Foreign governments may require the following documents on your export shipment.

1. *Consular invoice.* Certain governments want closer control over their imports and require consular invoices. You (or your forwarder) prepare it. A consul of the foreign country located in the U.S. frequently collects a fee and legalizes it.
2. *Certificates of origin.* Some, but not all, governments need proof that your products are U.S.-made. You (or your forwarder) prepares this, if required.
3. *Customs invoice.* This is a copy of the sellers' commercial invoice, describing the goods bought. Custom invoices are used for import clearances, and sometimes vary from the commercial invoice. You (or your forwarder) prepare it.
4. Other documents needed could be inspection certificates, cargo, purchasing lists, etc.

DOCUMENTS YOU WILL NEED. You'll need several documents.

1. *Dock and warehouse receipts.* Since you will be contracting with a trucking firm or railroad to move your goods from your loading dock to the port, you'll need a domestic Bill of Lading, or other receipts, once goods are unloaded from the inland carrier and are placed in the hands of the post terminal operators, etc.
2. *Payment agreements between you and your customer.* Foreign and U.S. banks may be involved and you'll need documents from them.
3. *Insurance certificates* as proof of coverage in event of loss or damage to goods.

HE DOES MORE THAN FORWARD FREIGHT. The international freight forwarder is an export "specialist" and he does much more than make sure your foreign customer gets the goods on time and intact. For example:

1. The freight forwarder can help you estimate all costs for your price quotations.
2. He advises on packing, marking, and labeling requirements.
3. He can tell you precisely what documents will be required, and how to complete them. He can provide you with the blank forms—or if asked, he can fill them in for you. (Remember, he's acting as your agent.)
4. He books cargo space. He prepares and processes ocean (or airway) Bills of Lading.
5. He can arrange for insurance coverage.
6. He presents your shipping documents to banks to speed payment.
7. In some cases, he can save you money by consolidating the shipments of many exporters to one country into one large one which gets a lower freight rate.
8. He can arrange for export packing of your goods.
9. He will get your merchandise to the right spot on docks, and get necessary receipts.
10. He can fill out the Export "Decs" required by the U.S. government.
11. He can prepare other documents such as certificates of origin, consular invoices, or custom invoices. He arranges for the legalization of these documents.
12. He prepays all charges (including ocean or air freight) such as transportation.
13. He can prepare notice of shipments, sending copies to banks, carriers, or customers, etc.

HOW MUCH DO THEY COST? Freight forwarders charge surprisingly little for their service. An average shipment would cost between $20 and $40 for booking cargo space on a plane or boat, arranging to get your goods to port, and preparing for necessary ocean (or airway) Bill of Lading and dock receipts.[10] Charges may be higher if other services are involved. Forwarders often prepay ocean or airfreight and fees for legalizing consular invoices. These charges are billed to the exporter. Forwarding fees for air shipments are usually less than for ocean shipment as fewer documents are involved.

[10]Forwarders also get a fee from shippers for selling "cargo space."

Example: *Here are a New York City freight forwarder's charges on a shipment worth $5,000 destined for a customer in the Middle East.*

Item	*Amount*
Basic forwarding fee (booking space, preparing a Bill of Lading, prepaying freight)	$40
Filling out the export declaration	5
Preparation of consular invoice	10
Messenger service to consulate for legalizing consular invoice	4
Preparing certificate of origin	3
Messenger to Foreign Chamber of Commerce for legalizing certificate of origin	2
Preparation of insurance certificate	5
Completion of commercial invoice	5
Postage	3
Preparing documents for presentation to the bank	10

The total fee was $88. But the exporter saved more than this because the forwarder consolidated this shipment in with others going to the same country. Thus, the exporter saved on freight and eliminated costly export packing.

NOTE WELL: If you want your freight forwarder to complete the export declaration or present your shipping documents to U.S. banks, you will have to give him shipping power of attorney.

HOW TO LOCATE ONE. About 1,500 ocean freight forwarders are licensed by the Federal Maritime Commission. All must pass a special examination, but all are not active. Most forwarders are in port cities. Some 300 air freight forwarders are registered with the Civil Aeronautics Board. Many freight forwarders are specialists for both ocean and air shipments. Listed below are sources which will help you locate a freight forwarder:

1. Contact the closest District Office of the U.S. Department of Commerce. Ask the director for a list of freight forwarding firms capable of handling both air and ocean shipments. (See page ??? for addresses)
2. Check the yellow pages of your local telephone directory. Look under the "Freight Forwarding" heading. If you are in a small city, you may not find one listed. Check the yellow pages of the nearest large city, and you will find some.
3. Contact an experienced exporter, who will be more than willing to suggest a freight forwarder. (The U.S. Department of Commerce District Office can give you the names.)
4. Contact the National Custom Brokers and Forwarders Association of America, an association of about 200 active freight forwarders. The association is located in Suite 1109, One World Trade Center, New York, New York 10048. Telephone: (212) 432-0050.

THE U.S. GOVERNMENT KEEPS A WATCHFUL EYE OVER EXPORTS

WHY? Our Government keeps tabs on what's shipped. Some items in short supply or likely to have a strategic value are closely regulated. And our Government needs immense amounts of information for statistical purposes.

THE EXPORT DECLARATION. The Bureau of Census records all shipments valued greater than $250. It's interested in the type merchandise, its classification code number, its quantity, value, destination, how shipped, etc. This information is collected on an Export Declaration form (usually called an "Export Dec") for every shipment. The Bureau of the Census prepares detailed monthly reports on U.S. exports, by product, quantity, destination, etc.

SCHEDULE B NUMBER. The Bureau of Census has established an elaborate classification system for all exported merchandise. Every good shipped from the United States fits into one of 3,000 categories, each carrying a 7-digit number. This system is known as Schedule B: Statistical Classification of Domestic and Foreign Commodities Exported From the United States. Schedule B numbers are needed on Export Decs.

Example: *Icemakers fit into Schedule B No. 719.1502. Hair preparations are part of Schedule B No. 553.0200.*

Schedule B numbers can be obtained from:

1. *Freight forwarders.*
2. *The nearest District Office of the U.S. Department of Commerce.*
3. *Bureau of Census in Washington, If the product is unique or there's doubt the correct number, write: Foreign Trade Division, Bureau of Census U.S. Department of Commerce, Washington, D.C. 20232. Enclose a product specification sheet. They'll handle telephone queries, although official rulings are by mail only. Telephone number: (301) 763-5342. Note: There's no charge for this service.*

EXPORT LICENSES. Most merchandise is exported under "General License," meaning no special permit is required prior to shipment. All that's required is the phrase "G-DEST" typed on certain documents. (Freight forwarders can advise.) If goods are in short supply, or of strategic importance, or destined to certain communist countries, a special license is necessary *prior* to shipment.

Information on whether a special license is needed can be answered by:

1. Freight forwarders.
2. The nearest District Office of the U.S. Department of Commerce.
3. Office of Export Administration, U.S. Department of Commerce, Washington, D.C. 20230. Telephone (202) 377-4201.

If a special license is needed, the same sources can help obtain them.

SELECTING A FREIGHT FORWARDER. If you are only interested in an occasional export shipment, it doesn't matter which forwarder you use. However, you may want to make a more careful selection if you plan on building an export business. Then: ask the forwarder for references (the average forwarder handles some 250 export shipments a week). Get an idea of the services he will provide. For example, if your products need special export packing, ask what arrangements he has for this service.

One of the best ways to check out a freight forwarder is to talk with experienced exporters.

A WORD ABOUT PACKING. Breakage, moisture, and pilferage are the three big dangers to your shipment from the time it leaves your factory until it gets to your foreign customer. The Insurance Company of North America (INA), a large U.S. company specializing in selling marine cargo insurance, says that 70% of all cargo loss can be prevented by proper packing.

Remember, whatever shipping container you use, your "export packing" must be such that your products will get to your customer thousands of miles away in an undamaged condition. Your "package" must protect against weather, thieves, and the normal hazards of shipping: dampness, rough handling, and careless storage. Nothing can be worse than an on-time but damaged delivery of your export shipment. Insurance will cover the loss, but customer ill will or lost time in handling the problem is a heavy price to pay.

PACKING INFORMATION: WHERE TO GET IT. There are many information sources on export packing. Your best bet is a freight forwarder. He can advise you on requirements and an export packing specialist. Other sources:

1. *Ports of the World.* This free book has a basic packing guide and describes the types used in export. Contact: Insurance Company of North America, Marine and Aviation Division, 1600 Arch Street, Philadelphia, Pa. 19100.
2. *Guide to Damaged Packing,* a free pictorial guide to what can happen to export shipments, available from American Institute of Marine Underwriters, 99 John Street, New York, N.Y. 10038.

LABELING AND MARKING THE EXPORT "CONTAINER." Export shipping cartons or containers need different markings than domestic shipments. Foreign customers have their own needs, shipping companies and port terminal operators have theirs, and even foreign governments have certain needs for marking. Bolivia, for example, insists that gross weights, in kilograms, be marked on all packages in stencil numerals at least 6 centimeters high.

NOTE WELL: Don't take it for granted that foreign customers, custom officials, or stevedores can read English. That is why cautionary marks such as "handle with care" or "this side up" may be needed in a foreign language as well as in English.

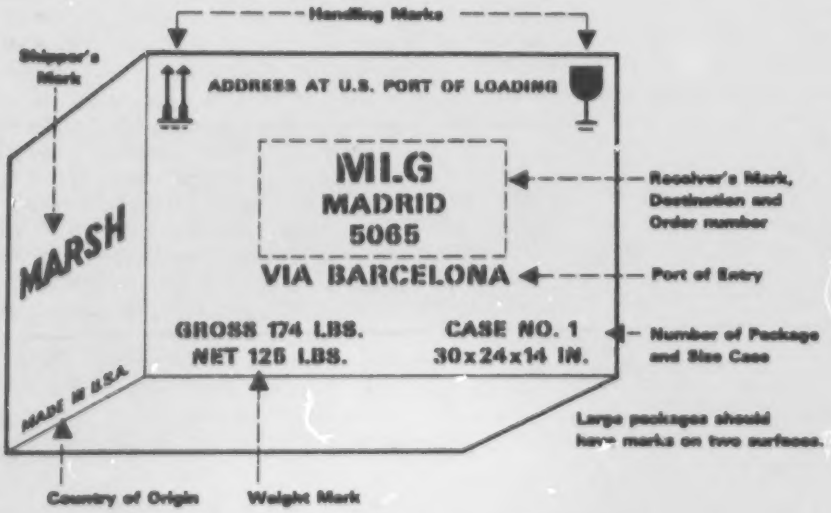
Your forwarder can also advise you on marking and labeling. Your foreign customer will often include labeling and marking instructions with his order.

The box on page 79 describes typical markings.

WHAT GOES ON AN EXPORT CARTON?

1. "MADE IN U.S.A." This mark is required by custom officials in most foreign countries before the goods can be imported.
2. Your customer's name and address. In some cases he may give you a shipping "code," preferring to keep his identity unknown to discourage thieves.
3. The port of exit and port of destination.
4. The package or case number. If five packages make up your shipment, each one will be numbered in consecutive order.
5. Carton dimensions. In some cases, it must be provided in both inches and the metric system.
6. Your shipment's gross weight expressed in pounds and/or kilograms.
7. Cautionary markings such as "This Side Up" or "Handle with Care" in both English and foreign languages.

NOTE: Experienced exporters advise against using brand names or adversiting slogans on packages.



(Illustration courtesy of Marsh Stencil Machine Co.)

A WORD ABOUT INSURANCE. Like most insurance, marine cargo insurance" is an essential business tool. Here are some facts about marine cargo insurance:

1. It is generally based on the value of the shipment—including all charges (freight, handling, etc.)—plus 10% to cover unseen contingencies.
2. Coverage is usually sold on a "warehouse-to-warehouse" basis. That is, from your factory to your customer's receiving platform. Coverage generally ceases a certain number of days after the ship or plane is unloaded. (Other types of coverage are also available, such as port-to-port, but most experienced exporters recommend warehouse-to-warehouse coverage.)
3. Marine cargo insurance policies are sold on a per shipment or "blanket" basis—a policy issued to cover all shipments during the life of the insurance. Freight forwarders purchase "blanket" policies to cover shipments of exporters who do not have their own policies.
4. Insurance rates vary according to the product, destination, shipping method, exporter's "track record," etc. A rough rule of thumb: ocean cargo insurance will cost $.50 per $100 of invoice value. Air cargo insurance will cost 25% less, but rates vary. For example, large steel beams (difficult to pilfer) may be as low as $.15 per $100 to insure. But insurance covering automotive spare parts destined for certain Latin American cities would cost $5.00 per $100![2]

HOW TO HANDLE INSURANCE. If you only export "occasionally," it will be cheaper to use your forwarder's policy. Check with him on costs. However, if you plan a more aggressive export effort, it will pay to have your own policy. Policies are sold by insurance brokers. Here are suggestions on locating them.

1. Contact your forwarder. He can recommend one or several brokers.
2. Contact the District Office of the U.S. Department of Commerce nearest you. An international specialist can list the important brokers.
3. Contact an experienced exporter. They often will put you in touch with their own broker.
4. Contact an international airline or a steamship line.

ADDITIONAL INFORMATION AVAILABLE. Information on marine cargo insurance is available from two free pamphlets.

1. *Guide to Cargo Insurance,* discusses marine cargo insurance and types of policies. It's available from American Institute of Marine Underwriters, 99 John Street, New York, N.Y. 10038.
2. *Money at Risk,* available from Insurance Company of North America, Marine and aviation division, 1600 Arch Street, Philadelphia, Pa. 19101.

TO SUM UP. Exporting has its own definitions. Shipping terms have been established so that buyers and sellers will have a common method of communication. The manufacturer has many export pricing options. In addition to the basic cost of the product, there may be other costs necessary to get your goods to your customer's place of business. This chapter has identified these costs, and shown how they're covered in export quotations.

An export shipment requires far more paperwork than its domestic counterpart, in particular if your shipment goes as ocean freight. But companies who wish to ship products to foreign customers won't have to worry about paperwork. Their freight forwarders can do it for them. These firms, the "exporter's best friend," can advise not only on best methods of shipping, but they'll also handle all shipping and document details. Their costs are low.

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[1]The term marine insurance is the term used for ocean as well as air cargo coverage.

[2]Insurance experts call auto parts a "targeted" commodity—i.e., an easy "target" for thieves.

HOW AN EXPORT SHIPMENT MOVES

Many individuals or specialist firms are involved in getting a shipment from your factory to the port: the trucking firm that carries your merchandise; the freight forwarder; the truck driver; the terminal operator who handles shipping berths for ocean vessels; and the steamship company, itself.

Listed below are 19 steps just to get your goods on board a ship.[1]

YOU, The Exporter

1. Prepare the domestic Bill of Lading for the movement of your cargo to the pier at the port of export. A copy of this domestic Bill of Lading is sent to your freight forwarder, along with your packing list. Both Bill of Lading and packing list should be carefully checked.
2. Mark the cargo plainly to show gross and net weight (without the packing), volume (cubic measurement), foreign destination, customer identification marks, and a "Made in the U.S.A." mark (most important!). Your forwarder and customer have advised you, most likely.

The Trucking Firm

3. Accepts your cargo for transit to the port. Either you arrange for the trucking company to pick the cargo up; or your freight forwarder does it.
4. Advises your freight forwarder when your cargo will get to the port.
5. Receives the following from your freight forwarder: name of vessel, sailing date, pier location, and any special permits needed to bring your cargo onto the pier.
6. Obtains a filled out—but unsigned—dock receipt from the freight forwarder. This receipt will accompany your cargo.
7. Contacts the terminal operator to make arrangements for special handling or special equipment (if required) at least 24 hours before scheduled delivery to the port.

Your Freight Forwarder

8. Provides the unsigned dock receipt and special permits, if required, to the trucking firm. Your forwarder carefully checks the dock receipt for completeness.

The Truck Driver

9. Drives his truck to the entrance of the port.

The Terminal Operator

10. Issues a pass to the driver at the gatehouse.
11. Checks driver's papers and assigns a checker to the driver and an unloading spot on the pier.

The Truck Driver

12. Unloads his vehicle.
13. Obtains a signed copy of the dock receipt.

The Terminal Operator

14. Signs the dock receipt.

The Truck Driver

15. Surrenders his gate pass at the at the gatehouse when departing the port.

The Terminal Operator

16. Forwards the signed dock receipt either to the steamship company or freight forwarder.

The Freight Forwarder

17. Prepares an ocean Bill of Lading for transmittal to the steamship company for its review and signature.

The Steamship Company

18. Signs the ocean Bill of Lading and returns it to the forwarder.

The Freight Forwarder

19. Reviews documents and transmits copies to appropriate firms: buyer, exporter, bank.

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[1]This material is adapted from an "Export Guide" prepared by the Port Service Improvement Committee, Port Authority of New York and New Jersey.

CHAPTER IV

HOW TO SELL ON LETTER OF CREDIT

INTRODUCTION. So far we have dealt with export shipments which are paid for in advance or from an account maintained in the U.S. by the buyer. But many excellent potential foreign buyers may not buy this way. Many would prefer to pay only *after* receipt of the goods or when they have proof that the shipment has arrived.

At the same time, the U.S. supplier does not want to ship to an unknown buyer abroad without positive assurance that he will be paid. And suppliers may not want to accept payment on a delayed basis. The supplier may fear that an unknown buyer will default thousands of miles away. Can these risks—buyer nonpayment and supplier nonperformance—be minimized? This chapter discusses a common approach used in export—the letter of credit. This method of payment has a double guarantee. It guarantees the supplier payment on proof of shipment, and guarantees the customer that he will receive the export merchandise he has ordered.

LETTER OF CREDIT: (WHAT IS IT?) A foreign buyer asks a bank to transfer funds from his account to a U.S. bank which will be for payment to a U.S. supplier. At the same time, the customer's bank asks the U.S. bank to withhold supplier payment until proof of shipment has been presented to the U.S. bank. Such arrangements are called "letter of credit" transactions, as the foreign bank sends a "letter" through a U.S. bank to the exporter informing him of a "credit" opened in his favor.

One international banker says "letters of credit are used between buyers and sellers who do not know each other. They have no reason to trust each other so they turn to banks to complete the transaction. The banks trust each other because they have had a past business relationship."

Letters of credit come in three types. (You'll sometimes see the abbreviation L/C.)

1. "Simple" letter of credit. This gives the seller recourse *only to the buyer* who signs the letter of credit. The seller trusts the buyer to meet his financial commitment. We do not recommend a simple letter of credit for exports to unknown buyers.
2. "Irrevocable" letter of credit. The buyer's bank has guaranteed payment to the U.S. bank. The buyer *cannot* cancel the payment if the exporter meets shipment conditions. The only risk is the default of the foreign bank.
3. "Confirmed irrevocable" letter of credit. The promise to pay has been guaranteed by a U.S. bank. Payment cannot be withheld even if the buyer and the buyer's bank default. Thus, the exporter has no payment risks—*provided* he submits the necessary documents which prove compliance with all conditions stated in the letter of credit. We recommend that new-to-exporters only consider this type of letter of credit.

See page 85 for a sample of a confirmed irrevocable letter of credit. The fee for a letter of credit ranges from 1/4% to 1% of the amount of the credit, depending upon the country and the bank. Normally, the buyer pays the fee.

MEET THOSE SHIPPING DATES. If shipments cannot be made by the date called for in the L/C, exporters should ask the buyer "to amend onto" the letter of credit to extend the date of its validity, or to open a new one. If the exporter ships after the date specified in the L/C, the customer and his banks are relieved of any obligation to pay. In rare instances, a letter of credit may not be honored because the Bills of Lading differ in wording from that specified in the letter of credit. And payment could be withheld if goods are not shipped on a specified vessel.

A TYPICAL LETTER OF CREDIT TRANSACTION. Here's what happens when payment is made by an irrevocable letter of credit confirmed by a U.S. bank.[1]

1. After you and your customer agree on the terms of sale, he arranges for his bank to open a letter of credit.[2]

[1]You can indicate your choice of a U.S. bank to confirm the letter of credit. But check first with your bank. Most banks are very inexperienced in handling letters of credit. Foreign banks involved in international trade have U.S. branches or correspondent relationships with one or more U.S. banks who will be very familiar with L/C's.

[2]Delays may be encountered. For example, the buyer may have "insufficient funds." In many developing countries, foreign currencies, such as dollars, may be scarce.

2. The buyer's bank prepares an irrevocable letter of credit, including all instructions.
3. The buyer's bank sends the irrevocable letter of credit to a U.S. bank requesting confirmation.[1]
4. The U.S.bank prepares a letter of confirmation to forward to you, along with the irrevocable letter of credit.
5. You *review carefully* all conditions in the letter of credit, in particular, shipping dates. If you can't comply, alert your customer at once. (Your forwarder can help advise you.)
6. You arrange with your freight forwarder to deliver your goods to the appropriate port or airport. If the forwarder is going to present the documents to the bank (a wise move for the new-to-export firm), he'll need copies of the letter of credit.
7. After goods are loaded, the forwarder completes the necessary documents (or transmits the information to you).
8. You, or your forwarder, present documents indicating full compliance to the U.S. bank.
9. The bank reviews the documents. If in order it issues you a check. The documents are airmailed to the buyer's bank for review and transmitted to the buyer.
10. The buyer (or his agent) gets the documents which may be needed to claim the goods.

[1]Foreign banks with more than one U.S. correspondent bank generally select the nearest one to the exporter.

[2]Some exporters ask customers to specify the wording "about (estimated value of the shipment)." Banks in this case can usually pay up to 10% more than the estimated amount but it's not guaranteed!

TIPS ON USING A LETTER OF CREDIT. If a prospective customer isn't able—or doesn't want—to pay you cash in advance (most won't), and doesn't keep a U.S. bank account, suggest a confirmed irrevocable letter of credit. Or if a foreign firm wants you to ship on "open account" (described later), tell him that your payment terms are confirmed irrevocable letter of credit. The customer will go along with this request—if he wants your product—and many foreign firms know that new-to-export firms can't afford to offer other terms.

1. When quoting prospective customers, estimate shipping and packing on the high side to account for unforeseen charges. Banks won't pay amounts greater than specified in the letter of credit—even if the high charges are documented.[2]
2. After receiving a letter of credit from a potential customer, carefully compare its terms with the terms of your pro forma quotation. Check the shipping date. Make sure you can comply with all the terms. If you are unable to do so, get in touch with the customer immediately and ask that the conditions be changed.

TO SUM UP. A letter of credit is an extremely useful method of export payment. For you, the seller, it practically eliminates the risk of nonpayment by your customer—and enables you to collect payment upon proof of shipment from a U.S. port. Your customer will also find it useful. It eliminates the risk of receiving incorrect, damaged, or delayed goods. And banks charge surprisingly little for the service, usually no more than 1% of the value of the shipment and sometimes less.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
INTERNATIONAL BANKING DIVISION
23 WALL STREET, NEW YORK, N. Y. 10015 March 5, 19*

Smith Tool Co. Inc.
29 Bleecker Street
New York, N.Y. 10012

On all communications please refer to
NUMBER IC - 152647

Dear Sirs:

We are instructed to advise you of the establishment by
. Bank of South America, Puerto Cabello, Venezuela . . . . . .
of their IRREVOCABLE Credit No. 19845 . . . . . .
in your favor, for the account of John Doe, Puerto Cabello, Venezuela . . . . . .
for U. S. $3,000.00 (THREE THOUSAND U. S. DOLLARS) . . . . . .
available upon presentation to us of your drafts at sight on us, accompanied by:

Commercial Invoice in triplicate, describing the merchandise as indicated below

Consular Invoice in triplicate, all signed and stamped by the Consul of Venezuela

Negotiable Insurance Policy and/or Underwriter's Certificate, endorsed in blank, covering marine and war risks

Full set of straight ocean steamer Bills of Lading, showing consignment to the Bank of South America, Puerto Cabello, stamped by Venezuelan Consul and marked "Freight Prepaid",

evidencing shipment of UNA MAQUINA DE SELLAR LATAS, C.I.F. Puerto Cabello, from United States Port to Puerto Cabello, Venezuela

Advice of irrevocable letter of credit issued by a foreign bank in favor of a U.S. exporter and confirmed by Morgan Guaranty, which is obliged to honor drafts drawn under credit.

Except as otherwise expressly stated herein, this credit is subject to the Uniform Customs and Practice for Documentary Credits (1974 revision), International Chamber of Commerce Publication No. 290.

The above bank engages with you that all drafts drawn under and in compliance with the terms of this advice will be duly honored if presented to our Commercial Credits Department, 18 Broad Street, New York, N. Y. 10015, on or before March 31, 19* on which date this credit expires.

We confirm the foregoing and undertake that all drafts drawn and presented in accordance with its terms will be duly honored.

Yours very truly,

Authorized Signature

Immediately upon receipt, please examine this instrument and if its terms are not clear to you or if you need any assistance in respect to your availment of it, we would welcome your communicating with us. Documents should be presented promptly and not later than 3 P.M.

CHAPTER V

FOLLOWING AN EXPORT TRANSACTION

INTRODUCTION. A freight forwarder can help you in handling an order from a foreign customer that calls for delivery abroad. For an estimated fee of $200, a forwarder will prepare your quotation, arrange all the shipping details, and assist in collecting payment. This may be a sound proposition if you have only one or two export shipments a year.

However, if you envision several export shipments, you will find this $200 fee costly. It may make you noncompetitive if you pass it on to the customer; if you absorb it, you're handling export business at a loss.

But you *can* handle inquiries and orders from potential foreign customers—at a profit. This chapter identifies the steps for completing your first export shipment. As an example, we use a mythical foreign customer, the ABC Refrigeration Co. (London, England), who wants to purchase ice cube makers.

ANALYZING THE INQUIRY. See page 89 for a typical inquiry from a foreign buyer. Note that it asks for delivery in the United Kingdom.

The first step in an export transaction is to analyze the inquiry. Get your shipping and payment terms. Begin your record keeping.

Example: *You decide to quote C.I.F. Liverpool as requested. And you've decided your payment terms will be confirmed irrevocable letter of credit. Since your bank has no international capabilities, you're willing to accept confirmation by ABC's U.S. correspondent bank. Start your file.*

CONTACT YOUR FREIGHT FORWARDER. after settting your terms, contact a freight forwarder for estimates of shipping and packing, and insurance costs. But first you will have to give the forwarder certain information so he can figure out your costs.

1. Your product, the unit price, and quantity.
2. The destination.
3. Information on your normal domestic packing.
4. The gross weight and shipping dimensions of your product.
5. The payment terms you want.
6. Your export shipping terms F.A.S. (vessel); C.I.F. (port of destination).

Armed with this information, the freight forwarder can provide you with all the information needed to prepare a quotation.

Example: *YCI contacts J.L. Freight Forwarders with order details. The freight forwarder tells them ocean shipment is the best method, how best to pack, and estimates for handling, documentation, freight, and insurance as follows:*

Item	Estimated Cost
Export packing and marking (Each crate measures 22 cubic feet). The gross and net weights of the shipment are 1140 and 1060 lbs	$200
Ocean freight (shipped on the White Crown lines, which has frequent sailings)	$165
Marine insurance (warehouse-to-warehouse coverage)	67.50
Forwarding fees (for handling, booking space, preparing documents, presenting documents to bank)	58

He also tells you the correct Schedule B Number: 719.1502; and (good news) that special export license, consular documents, and a certificate of origin will not be required.

COMPLETE YOUR EXPORT COSTING WORK SHEET. Many items in the export transaction add costs: extra packing charges; freight—both inland, ocean or air; documentation, etc. If the terms you select make you responsible for some or all of these costs, you'll want to pass them on to your buyer—or factor them into the price of your goods. Experienced exporters use an export costing work sheet. It is no more than a check list of various items of cost which may come up in an export transaction. A costing sheet is your work sheet each time you have to make an export quotation. A costing sheet also ensures that all possible charges are added into your quotation. You won't forget any, and it will give you an exact record of your quotation to each foreign buyer. See page 90 for a sample of an export costing work sheet.

Example: *YCI prepares their export costing work sheet as seen on page 91 using their factory prices for their icemakers, cost, and information provided by their freight forwarder. Inland freight charges are obtained from their usual trucking company.*

PREPARING YOUR QUOTATION. Once you have all the estimated costs, you're ready to prepare a quotation, either as a "pro forma invoice" or similar to your normal format depending upon customer wishes. Note: Until you actually ship, you won't know exact costs of ocean freight, export packing, marine insurance, etc. Thus, seasoned exporters usually use a margin of safety. One New York export firm uses a "5% factor" boosting its estimated charges by this amount. This firm generally finds its final invoice amount will be slightly less than quoted, but the firm is covered for unforeseen contingencies. Most exporters recommend lumping together forwarding fees, export packing, and inland freight to avoid a customer's quibbling.

Pro forma invoice quotations can be sent out on your letterhead, or on normal invoice forms with the addition of the words "PRO FORMA INVOICE" typed at the top.

Example: *See page 92 for the pro-forma invoice which will be sent to ABC Refrigeration. Note that it's marked "PRO FORMA INVOICE." Also note that certain charges are estimated (and increased by 5%) as a precautionary measure. ABC Refrigeration knows that actual charges may differ by 5% or so at shipment time. ABC Refrigeration needs the pro-forma invoice to open a letter of credit.*

TAKE CARE WITH YOUR "COVER" LETTER. Remember, a quotation without a sales effort is no quotation at all. Foreign buyers may ask for pro-forma quotations from many suppliers. A *minimal* selling effort is a cover letter with enough details so your customer has no questions about your offer. This letter can also "sell" your company and your reputation.

Example: *YCI's cover letter, to which will be attached the "pro forma invoice," is on page 94.*

REVIEW OF CUSTOMER'S PURCHASE ORDER. Hopefully, your quotation results in a purchase order. Review the order carefully to see that it follows your price quotation. Question any deviation closely. Make sure you can meet the delivery date. Wait for the letter of credit. Once the L/C arrives, compare it carefully with order and with your quotation. Make sure you stick to the shipping date on the L/C, and that you can submit all the documents listed in the letter of credit to the bank.

Followup with your customer. Let him know if you think you can comply with the "conditions" of their order. If you can't meet some, let him know at once and ask for further instructions.

Many foreign (and U.S.) buyers send copies of their order in duplicate asking that one copy be returned as an order acknowledgement. It's safer to send a copy of the order written up on your own order forms. Whatever method you choose, *acknowledge* the order.

Example: *ABC's purchase order, on page 94, calls for shipment on or before September 5. Check to see that the order conforms to your quotation. But you note that ABC asks for six copies of your packing list by air mail after shipment. You decide to accept their order, but await receipt of the letter of credit before shipping. Once this is received, review it carefully.*

WORK WITH YOUR FREIGHT FORWARDER. Your forwarder can now advise you exactly how and when to ship. He arranges for any special packing. If you want your freight forwarder to fill out your export declaration, give him power of attorney.

Example: *You telephone your freight forwarder about the order. He advises you of what's required.*

Once the shipment leaves your factory, you will want to alert him again. (In some cases, the freight forwarder will actually arrange to have an inland carrier pick up your goods.) The forwarder will now need copies of the inland Bill of Lading, several copies of your packing list, and your commercial invoice partially filled out. Remember, you will not be able to complete the invoice until you know all charges. The forwarder can complete your commercial invoice.

In this example, your work is essentially complete. The forwarder takes over. He'll prepare the necessary documents and forward them to the customer and to the bank. He'll also prepare an export declaration for U.S. Government use. He'll even prepay freight charges and send you a bill for these charges plus his fee.

Example: *Your forwarder arranges to pick up the goods. A copy of your letter of transmittal to him is*

presented on page 95. You are sending him your invoice, partially completed, your packing list, your letter of credit, and power of attorney.

SHIPMENT MADE; DOCUMENTS PRESENTED TO CUSTOMER AND BANK. The freight forwarder handles all details.

The forwarder summarizes what he's done, and gives you an invoice.

Note: As you become more experienced, you may want to handle some of this yourself.

1. Export packing. Some firms find it's cheaper to pack at their factory. (However, special packing is expensive and special firms known as outside packers may be cheaper.)
2. Purchase your insurance.
3. Complete the commercial invoice and forward it to the customer. (In this case, the freight forwarder telephones or writes the exporter with the shipping, documentation, and handling charges.)
4. Presentation of documents to the U.S. bank.
5. Completion of the export declaration.

You can save $40 or more per shipment by doing these chores yourself. (However, you may find your time and effort is worth considerably more and you'll prefer that your forwarder handle these details.)

Example: *J.L. Freight Forwarding handled all details. He booked space on the vessel "London Bridge," informed the trucker where to deliver the goods, prepared the dock receipt and ocean Bill of Lading. He arranged to insure the shipment under his blanket policy. He also completed the "Export Dec." After the goods were onboard, and all charges became known, he completed the commercial invoice.*

PAYMENT MADE. The U.S. correspondent bank carefully compares the documents with the conditions of the letter of credit.

The bank must make sure that all the conditions are met. Thus, the buyer minimizes the risk in dealing with a new and unknown supplier. After the bank is satisfied that your shipment has met the conditions, it agrees to pay you.

Example: *J.L. Freight Forwarder presents the original letter of credit and shipping documents to the Hometown Bank, where they're reviewed to ensure compliance. Once satisfied, Hometown Bank mails a check for the amount to YCI.*

TO SUM UP. An export shipment has many factors that aren't found in a domestic sales transaction. But, a new-to-export firm who understands the needs of its customer and their governments, the U.S. Government, and the transportation firms, will find it easy to complete these transactions. And, new-to-export firms will find that an international freight forwarder can eliminate practically all the headaches of an export shipment. The novice exporter will also find that when he is dealing with unknown foreign buyers, using an L/C will minimize the risk of nonpayment from an unknown foreign buyer.

ABC REFRIGERATION CO., LTD.

Post Office Box 25 / 1500 Pembridge Crescent / London, MK 46 4BN England

Telephone: 01-355-1414
Telex: 825540
Cable: ABCREF

Banks: Union Bank, Ltd.
British Bank, Ltd.

(A typical letter of inquiry looks as if it will turn into an order. It's for delivery outside the U.S. as distinguished from the letter on page 99)

Ref: 225

July 10, 197-

Your Company, Inc.
123 Main Street
Hometown, 44412
U.S.A.

Dear Sirs:

The ABC Refrigeration Company is a large U.K. importer of commercial refrigeration equipment. We would like to order five (5) of your water-cooled Model 232 ice cube makers.

Please send us your pro-forma invoice for five of your ice makers, C.I.F. Liverpool, England. Please indicate your payment terms, and estimated time for dispatch after receipt of our firm order.

Yours very truly,

R.E. Jones
Managing Director

EXPORT COSTING WORK SHEET
(for Preparing Export Quotations)

REFERENCE INFORMATION

1. Our Reference _____ 2. Customer Reference _____

CUSTOMER INFORMATION

3. Name _____ 5. Cable Address _____
4. Address _____ 6. Telex No. _____
_____
_____

PRODUCT INFORMATION

7. Product _____ 11. Dimensions ____ x ____ x _____
8. No. of units _____ 12. Cubic measure ____ (square inches)
9. Net weight _____ (unit) _____ (square feet)
10. Gross weight _____ 13. Total measure _____
14. Schedule B No. _____

PRODUCT CHARGES

15. Price (or cost) per unit _____ x units _____ Total _____
16. Profit (or mark-up) _____
17. Sales Commissions _____
18. FOB Factory _____

FEES -PACKING, MARKING, INLAND FREIGHT

19. Freight Forwarder _____
20. Financing costs _____
21. Other charges _____
22. Export packing _____
23. Labeling/Marking _____
24. Inland freight to _____ _____
25. Other charges (identify) _____ _____
26. FOB, Port City (Export Packed) _____

PORT CHARGES/DOCUMENT

27. Unloading (Heavy Lift) _____
28. Terminal _____
29. Other (identify) _____ _____
30. Consular Document (check, if required) _____ _____
31. Certificate of Origin (check, if required) _____ _____
32. Export License (check, if required) _____ _____
33. FAS Vessel (or Airplane) _____

FREIGHT

34. Based on _____ weight _____ measure
35. Ocean _____ Air _____
36. On deck _____ Under deck _____
37. Rate _____ Minimum _____ Amount _____ _____

INSURANCE

38. Coverage required _____
39. Basis _____ Rate _____ Amount _____
40. CIF, Port of Destination _____

YOUR COMPANY, INC.

EXPORT COSTING SHEET

DATE: July 20, 197_ # 76-10

QUOTED TO: ABC Refrigeration
1500 Pembridge Crescent
London MK 46 4BN England

REFERENCE: # 225 - Dated July 10

FROM PORT: New York

PRICE QUOTATION TERMS: C. I. F. Liverpool

SHIPPING LINE: White Star

PRODUCT DESCRIPTION: Our Model 232

SCHEDULE B No: 719.1502

NO. OF UNITS: 5 NET FOB FACTORY PRICE: $920 TOTAL PRICE: $4,600

INLAND FREIGHT:	85
* EXPORT PACKING & STENCILING	200
FREIGHT FORWARDING	30
CLEARANCE & HANDLING	10
BOOKING STEAMSHIP SPACE	
CONSULAR DOCUMENTATION } NOT REQUIRED	
CERTIFICATE OF ORIGIN }	
PREPARING EXPORT DECLARATION	5
PREPARING OCEAN BILL OF LADING	3
MESSENGER SERVICE	5
SHIPMENT PAPERS TO U.S. BANK FOR L/C	5
TOTAL FORWARDING AND INLAND FREIGHT CHARGES	$343
* MARINE INSURANCE INCLUDING WAR RISK $67.50 plus 5% =	$ 71.

NET WEIGHT OF SHIPMENT 1,060 pounds

GROSS WEIGHT OF SHIPMENT (units plus crating) 1,140 pounds

DIMENSIONS OF EACH CRATE: 31" x 30" x 40"

EACH CRATE CUBIC FEET: 37,200 cubic inches = 21.5 = 22 cubic ft.

TOTAL SHIPMENT CUBIC FEET: 110

* OCEAN FREIGHT $1.50/cubic ft = $1.50 x 110 = $165 + 5% = $173

165 + 8

TOTAL CIF PRICE LIVERPOOL $5,187

* These items are approximate

Note that this price quotation work sheet differs from the suggested costing sheet on page 49 which shows all possible charges that could occur. Charges for consular invoices or certificates of origin are not necessary because U.K. customs do not require them.

YOUR COMPANY, INC.

111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

July 20, 197-

ABC Refrigeration Co., Ltd.
P.O. Box 25
1500 Pembridge Crescent
London, England

PRO-FORMA INVOICE

Your Reference: #225
Dated: July 10, 197-

Five (5) Model 232 water-cooled ice cube makers @ $920 each	$ 4,600
Estimated inland freight, export packing, and forwarding fees	343
F.A.S. vessel -- New York, NY	$ 4,943
Estimated ocean freight	$ 173
Estimated marine insurance	71
C.I.F. Liverpool	$ 5,187

Export packed in 5 wood crates, 110 total cubic feet

Gross weight: 1140 lbs.
Net weight: 1060 lbs.

Payment terms: Irrevocable letter of credit confirmed by a U.S. bank.

Shipment can be made two (2) weeks after receipt of firm order.

COUNTRY OF ORIGIN: United States of America

We certify that this pro-forma invoice is true and correct.

Your Company, Inc.

Nelson T. Joyner, Jr.
President

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(Sample of a cover "sales" letter to be sent with the pro-forma invoice.)

ABC Refrigeration Company, LTD
150 Pembridge Crescent
London MK 46 4BN, England

Our quote: 76-10

Gentlemen:

Thank you for your letter (your reference no. 225) dated July 10, 1976, which expresses interest in our Model 232 water-cooled ice cube maker. We have attached specification sheets for this model.

Our pro-forma invoice for five of these units C.I.F. Liverpool, England, is enclosed. Our payment terms are irrevocable letter of credit confirmed by a U.S. bank.

We can ship these units within two weeks after receipt of your firm order. The goods will be shipped in wooden crates, steel strapped, containing one Model 232 water-cooled ice cube maker per carton. Marine insurance will be provided warehouse-to-warehouse.

Our Model 232 contains unique features not found on any other product. We have a long list of satisfied customers for this product.

We look forward to receiving your order.

Sincerely,

Nelson T. Joyner, Jr.
President

ABC REFRIGERATION CO., LTD.

Post Office Box 25 / 1500 Pembridge Crescent / London, MK 46 4BN England

Telephone: 01-355-1414
Telex: 825540
Cable: ABCREF

PURCHASE ORDER NO. 555

Date: August 1, 197-

Banks: Union Bank, Ltd.
British Bank, Ltd.

TO SUPPLIER:

Your Company, Inc.
111 Main Street
Hometown, VA 22101

Please fill the following order in accordance with the shipping instructions, packing, delivery and terms that are specified below.

Please notify us by airmail of your acceptance of this order by signing the attached duplicate copy and returning it to us as soon as possible. If you cannot comply with any of the following provisions, please let us know immediately by airmail or cable. Then wait for our further comments before proceeding with the order.

ITEM: Model 232 Water-Cooled Ice Maker

QUANTITY: 5

PRICE: US $1,035.20 each C.I.F. Liverpool, England

SHIPPING DATE: On or before September 5.

PACKING: For export in wooden crates, steel strapped, containing one Model 232 water-cooled ice cube maker per carton.

SHIPPING MARKS: ABC-London
No. 555
London via Liverpool
No. 1-5/up

EXPORT ROUTING: From New York to Liverpool via White Star Line

MARINE INSURANCE: Warehouse-to-warehouse, plus all-risk C.I.F. Liverpool, plus 10%.

PAYMENT TERMS: Irrevocable letter of credit, opened by British Bank, Ltd., London, and confirmed by their correspondent bank, Home Town Bank, Hometown, Virginia USA.

DOCUMENTS REQUIRED: Upon dispatch of the order, airmail the following to ABC Refrigeration Co., Ltd., 1500 Pembridge Crescent, London MK 46 4BN, England, the following documents:

6 copies commercial invoices. Show country of origin on all commercial invoices.

6 copies of packing lists. Detail net and gross weight in pounds.

Other documents in accordance with the terms of the letter of credit.

Sincerely,

R. E. Jones
Managing Director

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(Sample of a letter which the supplier sends to his freight forwarder once the shipment has left the factory for the port of exit.)

J. L. Freight Forwarders
5 Export Lane
New York, New York 10001

Gentlemen:

As we discussed on the telephone, we have received an order from the ABC Refrigeration Company of London, England for five of our Model 232 ice cube makers.

We are enclosing the following:

1. Copies of our commercial invoice, partially completed.
2. Copies of the packing list.
3. The original of our letter of credit.
4. A copy of the domestic (inland) Bill of Lading given to us by the Trucking Firm.
5. Our power of attorney so that you will be able to complete the export declaration and present documents to the Home Town Bank for payment.

As discussed, we will appreciate your arranging to ship the goods as called for and to submit documents to the bank for collection. We also ask you to take out the necessary marine cargo insurance.

Don't hesitate to contact us if you have any questions.

Sincerely,

Nelson T. Joyner, Jr.
President

YOUR COMPANY, INC.

111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(An example of a commercial invoice)

ABC Refrigeration Co., Ltd.
P.O. Box 25
1500 Pembridge Crescent
London MK 46 4BN England

August 25, 197-

INVOICE

Five (5) Model 232 water-cooled ice cube makers @ $920 each	$ 4,600
Inland freight, export packing, and forwarding fees	300
F.A.S. "London Bridge" NY	$ 4,900
Ocean Freight	140
Marine Insurance	50
C.I.F., Liverpool	$ 5,090

GENERAL LICENSE: GDEST

SCHEDULE "B" NO.: 719.1502

COUNTRY OF ORIGIN: United States of America

MARKS: ABC London
#555
Made in USA
No. 1-5/UP

Five wood crates, total cubic feet 105

Net Weight: 1,060 lbs.

Gross Weight: 1,140 lbs.

"United States law prohibits disposition of these commodities to Southern Rhodesia, Northern Korea, Vietnam, or Cuba."

We certify that this invoice is true and correct.

Your Company, Inc.

By J.L. Freight Forwarders,
Authorized Agent

CHAPTER VI

STIMULATING EVEN MORE INQUIRIES FROM FOREIGN FIRMS

INTRODUCTION. By now you're exporting to foreign firms. They have contacted you, and you have had to familiarize yourself with quotations, shipping procedures, and payment terms based on letters of credit.

It's possible to *increase* your overseas inquiries. And you still won't have to establish an export department or travel abroad. This chapter discusses how to get inquiries from foreign firms that do not know your company, but who want the same type of product you make. And secondly, this chapter gives tips on how to follow up on these leads.

THE U.S. GOVERNMENT HAS A NETWORK OF OFFICIALS DEVELOPING LEADS. The U.S. Government assigns business (commercial) specialists to foreign service posts[1] in virtually every important commercial city abroad. They're trained to seek out leads: foreign firms who want to buy U.S. goods. These leads are collected, described, and cabled to Washington where they are distributed to interested U.S. suppliers for a small fee. The Department of Commerce is responsible for disseminating leads on nonfood products; the U.S. Department of Agriculture (USDA) is responsible for dissemination leads for farm, dairy, or orchard items.

THE TRADE OPPORTUNITY PROGRAM (TOP). The U.S. Department of Commerce program for foreign leads is called TOPS. Each day the Commerce Department sends out over a thousand notices[2] of leads to the 8,400 active U.S. firms who subscribe to the TOPS service. See page 98 for an example of a TOPS lead. U.S. firms that register can specify the type of firm they want to hear from precisely.

TOPS IS RELATIVELY INEXPENSIVE. A one-time fee of $25 is charged to register your company and to place your specifications in the TOPS computer. Each lead mailed to you costs $.75. However, you'll have to buy a minimum of 50 leads ($37.50) in advance.

IT'S EASY TO REGISTER. Contact the U.S. Department of Commerce District Office nearest you. They usually send a representative to your office to discuss TOPS and to help you register for TOPS. A word of caution: specify in as much detail as possible the type of product leads you wish to receive. A common complaint from subscribers: leads come, but not for what they sell. Many of these "wasted" leads could be avoided by a more careful specification. Products are specified by Standard Industrial Classification (SIC) code described in detail on page 99.

U.S. DEPARTMENT OF AGRICULTURE'S LEADS. A comparable service is offered by USDA's Foreign Agricultural Service (FAS). Their computer-assisted trade lead program, called TORS[3], is free. FAS also publishes a full weekly bulletin of trade leads, *Export Briefs*. For information and registration, contact: Foreign Agricultural Service (FAS), U.S. Department of Agriculture, Washington, D.C. 20250.

LEADS FROM OTHER SOURCES. Other sources can generate trade leads.

1. Some State governments have set up special offices to help their exporters. They often collect leads from foreign firms seeking U.S. products which they'll gladly send to firms in their State. To find out if your State offers this service, contact either the nearest District Office of the Department of Commerce, or the National Association of State Development Agencies, 1015 20th Street, N.W., Washington, D.C. 20006. Telephone: (202) 331-7880.
2. Export publications. Publications specializing in covering export trade develop leads for advertisers. There's even a publication devoted entirely to a listing of requests from foreign buyers for specific U.S. goods. It is called *Trade Channels*. Contact Trade Channel Organization, One World Trade Center, Suite 86013; New York, N.Y. 10048.
3. Carriers. Some international airlines collect leads which they send to their U.S. customers. To find out which ones do, contact the nearest District Office of the U.S. Department of Commerce.

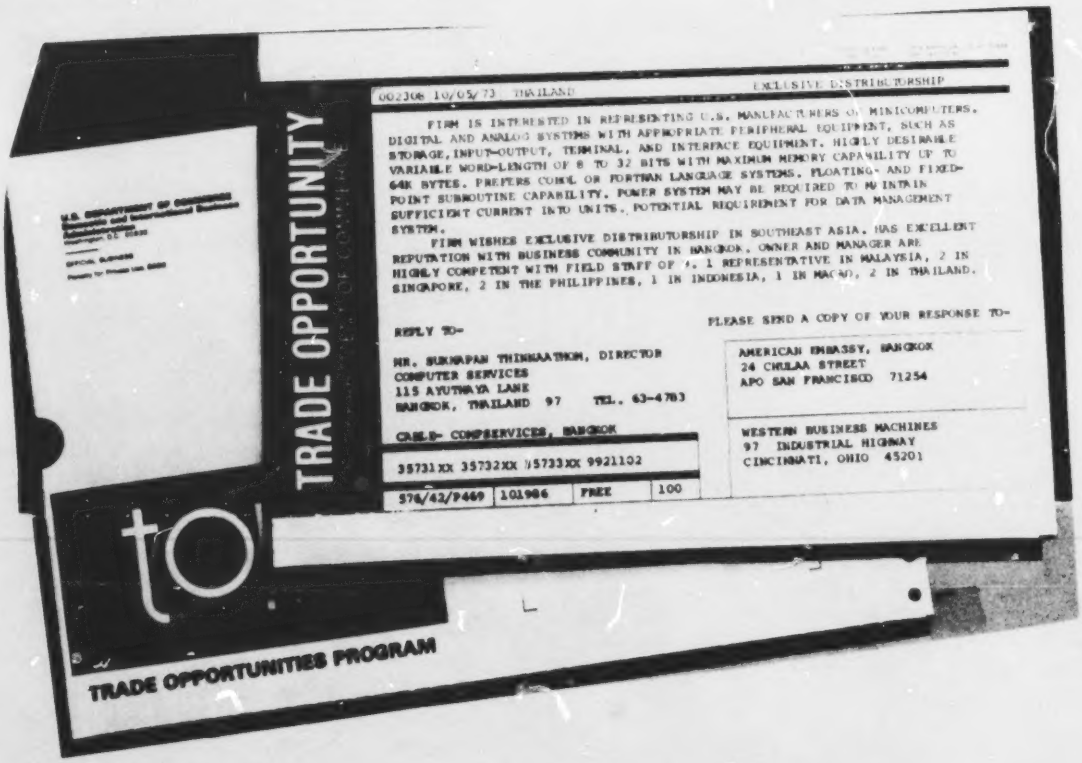
[1]Foreign service posts are either embassies (in capital cities) or consulates (in key commercial cities).

[2]The DOC receives about 100 foreign opportunities each day—and sends out notice to 10 to 20 U.S. subscribers.

[3]TORS stands for Trade Opportunity Referral System.

ITS EASY TO GET LEADS FROM FOREIGN FIRMS

Here is a TOPS sample. It's detailed with current commerical information on the firm.


TRADE OPPORTUNITY
TRADE OPPORTUNITIES PROGRAM
002308 10/05/73 THAILAND
EXCLUSIVE DISTRIBUTORSHIP
FIRM IS INTERESTED IN REPRESENTING U.S. MANUFACTURERS OF MINICOMPUTERS, DIGITAL AND ANALOG SYSTEMS WITH APPROPRIATE PERIPHERAL EQUIPMENT, SUCH AS STORAGE, INPUT-OUTPUT, TERMINAL, AND INTERFACE EQUIPMENT. HIGHLY DESIRABLE VARIABLE WORD-LENGTH OF 8 TO 32 BITS WITH MAXIMUM MEMORY CAPABILITY UP TO 64K BYTES. PREFERS COBOL OR FORTRAN LANGUAGE SYSTEMS. FLOATING- AND FIXED-POINT SUBROUTINE CAPABILITY. POWER SYSTEM MAY BE REQUIRED TO MAINTAIN SUFFICIENT CURRENT INTO UNITS. POTENTIAL REQUIREMENT FOR DATA MANAGEMENT SYSTEM.
FIRM WISHES EXCLUSIVE DISTRIBUTORSHIP IN SOUTHEAST ASIA. HAS EXCELLENT REPUTATION WITH BUSINESS COMMUNITY IN BANGKOK, OWNER AND MANAGER ARE HIGHLY COMPETENT WITH FIELD STAFF OF 4. 1 REPRESENTATIVE IN MALAYSIA, 2 IN SINGAPORE, 2 IN THE PHILIPPINES, 1 IN INDONESIA, 1 IN MACAO, 2 IN THAILAND.
REPLY TO-
MR. SUKHAPAN THINKAATHOM, DIRECTOR
COMPUTER SERVICES
115 AYUTHAYA LANE
BANGKOK, THAILAND 97 TEL. 63-4703
CABLE- COMPSERVICES, BANGKOK
PLEASE SEND A COPY OF YOUR RESPONSE TO-
AMERICAN EMBASSY, BANGKOK
24 CHULAA STREET
APO SAN FRANCISCO 71254
WESTERN BUSINESS MACHINES
97 INDUSTRIAL HIGHWAY
CINCINNATI, OHIO 45201
35731XX 35732XX 35733XX 9921102
376/42/P469
101986
FREE
100

SIC: THE GOVERNMENT'S VIEW OF THE U.S. ECONOMY

The U.S. government has established an elaborate system called the Standard Industrial Classification (SIC) system to classify virtually every area of economic activity. First, the economy is broken down into over 70 categories, each designated by a two-digit code.

Example: Petroleum refining and related industries carry the code 29; banking carries the code 60.

Each broad category is subdivided into areas of greater detail until specific activities are designated by a seven-digit code.

Example: Petroleum Asphalt carries the code 291 1910; Commercial Savings Bank carries the code 602 0005.

All goods and services fit into one of the 10,000 seven-digit codes.

The SIC system is used for many purposes. For example, statistical data on the economy is reported on an SIC basis. And the U.S. Department of Commerce uses the SIC system to code its trade leads.

A portion of the SIC code system is presented below with a section of the broad category of electric and electronic equipment.

If you don't know the SIC code for your product or industry, contact the Bureau of Census, U.S. Department of Commerce, Washington, D.C. 20233. Telephone: (301) 763-5440. If you write, include a copy of your product brochure.

MAJOR GROUP 36—ELECTRIC AND ELECTRONIC EQUIPMENT

Code	Product Description
361	**ELECTRIC DISTRIBUTING EQUIPMENT**
3612	TRANSFORMERS
36122	POWER AND DISTRIBUTION TRANSFORMERS, EXCEPT PARTS
	Distribution transformers, liquid-immersed, all voltages and dry type electric utility distribution transformers, excluding general-purpose transformers
	Overhead or pole top transformers
36122 02	100 KVA and below, single phase
36122 04	101 KVA through 500 KVA, single phase
36122 05	500 KVA and below, three phase
36122 11	Compartmentalized pad mounted transformers, single phase, 500 KVA and smaller
36122 14	Subsurface, underground and conventional subway type transformers, single phase, 500 KVA and below
36122 19	Compartmentalized pad mounted transformers and subsurface, underground and conventional subway type transformers, three phase, 500 KVA and smaller

STILL ANOTHER WAY OF GENERATING LEADS. The U.S. Government has a service which will bring your product news to foreign buyers.

The U.S. Department of Commerce sends a monthly news letter called *Commercial News* to all U.S. Foreign Service posts overseas. Each edition features new U.S. products (some illustrated). *Commercial News*—or an edited and translated version—is sent to key business firms abroad.

The Commerce Department encourages U.S. firms to send in new product information for a possible free listing in this newsletter. Information and an application are available from your Department of Commerce District Office or *Commercial News*, Bureau of International Commerce (BIC), U.S. Department of Commerce, Washington, D.C. 20230.

CATALOG FILES AT U.S. EMBASSIES AND CONSULATES. Some Foreign Service posts in key commercial cities maintain catalog files of U.S. firms which local importers can consult. Send your catalogs with a cover letter to posts in leading cities. They will be filed. Note: mail to the Foreign Service post's U.S. address. It's cheaper. They all have one in addition to their foreign address. For a listing of Foreign Service posts and their addresses, get a copy of *Key Officers of Foreign Service Posts*. It's available for $1.25 (paid in advance) from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

And don't forget—a listing in the appropriate Buyer Guide directories is essential. (A detailed discussion of how to do this appears in PART ONE of this handbook.)

FURTHER TIPS ON FOLLOWING UP LEADS. Previous chapters have discussed how to follow up inquiries. Your chances of getting business based on any leads generated by TOPS, TORS, or other services, is increased by a prompt, complete followup letter. Of course, you don't want to waste time trying to "sell" leads that are inappropriate. For example, some inquiries call for product specifications beyond your range, and you won't want to respond to "stale" ones. Although a TOPS lead may be "fresh"—less than a week old—those in magazines or newsletters may be up to 2 months old. The buyer may have made his purchasing decision.

Here are some tips on how to respond to a lead.

1. Indicate its source—who sent it to you.
2. Describe your products fully. Attach brochures or specification sheets.
3. Indicate your normal export shipping terms (F.A.S., C.I.F., etc.).
4. Indicate your normal payment terms.[4] Don't be bashful!
5. Tell how your products are packed for export.
6. Include sufficient information so that the foreign firm can place an order. For example, tell the firm your minimum order, how quickly you can ship, etc.
7. If appropriate, send a copy of your response to the trade lead source. The TOPS program is interested in receiving copies of replies. It likes to know what happens to leads it develops.
8. Make a sales pitch!

See page 101 for a sample of a letter in response to a trade lead.

TO SUM UP: ADDITIONAL SALES LEADS POSSIBLE. You can increase the number of inquiries you get from foreign firms by seeking out trade leads. The U.S. Government has a low-cost trade lead service. Sources in private industry can provide more. You can also get your product catalogs or information about your product placed in foreign service posts, where local firms can see them.

[4]At this stage we recommend confirmed irrevocable letter of credit.

YOUR COMPANY, INC.

111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(A sample sales letter in reply to a lead developed by the U.S. Department of Commerce's Trade Opportunity Program.)

Therma Kitchen Equipment, A.G.
Kircher Strasse 125
8952 Schlieren
Zurich, Switzerland

Attention: Mr. Heinz Mueller

Gentlemen:

The U.S. government has informed us of your interest in purchasing commercial cooking equipment. Our company, YCI, manufactures a line of infra-red warmers fired either by gas or electricity. The attached brochure describes in detail our line of "Mr. Sizzle" food warmers.

Our equipment is used in leading restaurants in the United States, and sold by the largest restaurant supply houses. Our product has special features noted in the catalog.

Prices vary according to the quantity ordered as seen in our attached price sheet. These prices include the cost of export packing, normally special corrugated carton containers. Shipment can be made within two weeks after receipt of a firm order. Our payment terms are irrevocable letter of credit confirmed by a U.S. bank. Our minimum order is 2 units.

We look forward to your order.

Sincerely,

Nelson T. Joyner, Jr.
President

cc: TOP Program

SECTION B

IDENTIFYING SALES PROSPECTS IN FOREIGN MARKETS AND GETTING SOMEONE TO SELL FOR YOU

INTRODUCTION. Many firms are happy with just replying to foreign inquiries and selling on an L/C basis. They may not have the time or resources to do more. But some firms may want to increase exports beyond this point. Their next step is to establish a regular sales effort in a few markets. This section describes how to do this.

WHAT IS REQUIRED. By now we assume you won't have product problems (nothing's worse than complaints from customers thousands of miles away), and we also assume you can handle the mechanics of the export transaction. Now you will need some special attitudes to become a successful exporter.

1. Your firm must be *committed* to export. This commitment must start with your chief executive and be communicated to everyone down the line. Success in export takes the same kind of commitment that made you successful in the U.S. market.
2. Responsibility for your export effort must be assigned to one person. It's O.K. to have your export effort a part-time responsibility, but some one individual clearly needs to be in charge. It may be your chief executive; it may be your sales or marketing manager.
3. You must have an export marketing plan. The reason for most export failures is lack of a plan.

A FEW WORDS ABOUT YOUR MARKETING PLAN. But your export plan can be a simple one. As a minimum, it should include these elements:

1. Selection of the best opportunities. What foreign countries will give you the most short-range business?
2. How will you "exploit" the countries? In other words, can you develop a program for marketing tactics?
3. Your export budget. (You must spend money to make it).

Export marketing plans, of course, can (and often will) be far more detailed. But careful attention to the above three elements should be enough for the firm that wants to establish a sales effort on a few foreign markets.

CHAPTER VII

IDENTIFYING YOUR BEST FOREIGN MARKET PROSPECTS

INTRODUCTION. U.S. products are regularly sold in over 100 countries. Fifty of these, however, account for 90% of U.S. exports. (See the box on page 106) However, it is impossible (and unwise) for the new-to-export firm to do business in more than one or two markets initially. Thus, the new firm is faced with an immediate decision: what foreign market(s) offers the best opportunity? First, a preliminary screening can narrow prospects to no more than 10 countries. No government publishes more information about foreign markets than the United States. An incredible amount is available, which can help any U.S. firm complete a preliminary screening. Secondly, a more detailed analysis will identify the one or two best foreign markets.

PRELIMINARY SCREENING: U.S. EXPORT STATISTICS. Each month the Bureau of Census publishes a report showing all exports for the month and on a cumulative annual basis, by specific product category (seven-digit Schedule B), by country of destination. See page 107 for an excerpt of the December 1975 report. It's easy to get this data. An exporter can then quickly determine which countries are buying products like the ones he makes.

Here are steps you can follow:

1. Get the Schedule B Number for the product you are researching (see page 77 for a description of Schedule B Numbers which tells you how to identify the appropriate one).
2. Consult the census annual reports for the past 2 to 3 years, plus the most current report showing year-to-date statistics. All District Offices of the Department of Commerce have these reports on file. They might send you copies of appropriate pages if you can't stop by.
3. Analyze the raw data you have collected. For example, identify the 10 most important markets for each year. Calculate the increases in export sales for your product category over the past 2 or 3 years for the top markets.

TOP FOREIGN MARKETS FOR U.S. GOODS
(in millions of dollars)

In 1974 these 50 countries bought over 90% of $100 billion in U.S. exports for that year.

Country	*Imports from U.S.*	*Country*	*Imports from U.S.*
Canada	$22,464	Argentina	$617
Japan	12,681	Indonesia	610
Germany, F. Rep.	5,399	Denmark	599
United Kingdom	5,276	Peru	476
France	4,088	New Zealand	467
Mexico	3,778	Portugal	440
Brazil	3,434	Thailand	424
Italy	3,117	Algeria	403
Netherlands	3,869	Greece	403
Australia	2,575	Pakistan	393
Spain	2,376	Egypt	389
Venezuela	1,999	Ecuador	357
Belgium-Lux.	1,930	Yugoslavia	354
Korea, Rep.	1,701	Turkey	350
Taiwan	1,685	Finland	348
South Africa	1,312	Nigeria	338

Singapore	1,169	Jamaica	333
Sweden	1,043	Malaysia, West	328
Iran	975	Austria	259
Switzerland	945	Costa Rica	248
Hong Kong	916	Ireland	247
Philippines	826	Bahamas	235
Israel	754	Panama	215
India	719	Trinadad, Tobago	200
Norway	678	Morocco	171

Source: Commerce America

DETAILED EXPORT STATISTICS AVAILABLE

The U.S. Government publishes detailed monthly export statistics which show the net quantity exported to each country, and the value of the shipment for some 3,000 product categories. A sample FT 410 Report (United States Exports of Merchandise by Country of Destination) is reproduced below.

Table 2. Schedule B Commodity By Country—Domestic Merchandise

(The figure preceding country designation Canada is the number in the sample for Canada. "SC" at the end of an alphabetic commodity description indicates "Special Category" commodity. See Introductio explanation of Special Category, method of sampling low value shipments, certain types of shipments not classified by commodity, and other definitions and features of the export st

Country of destination	Current month		Cumulative, January to date	
	Net quantity	Value (dollars)	Net quantity	Value (dollars)
JAPAN	9	11 183	177	247 532
AUSTRAL	–	–	57	51 145
OTH CTY	107	85 041	355	364 435
TOTAL	316	426 294	1 845	2 437 113
7191506 DRINKING–WATER COOLERS, SELF–CONTAINED, WITH MECHANICAL REFRIGERATION NO				
6 CANADA	524	143 429	4 147	598 990
JAMAICA	21	1 382	214	42 129
N ANTIL	55	11 397	132	26 940
ARGENT	–	–	285	37 352
SWEDEN	173	33 093	681	144 070
NORWAY	120	29 427	211	53 281
U KING	173	39 859	492	109 986
NETHLDS	3	1 035	206	60 546
FRANCE	63	17 244	229	47 202
W GERM	54	12 449	235	46 291
SPAIN	–	–	576	90 799
LEBANON	–	–	220	48 106
KUWAIT	11	3 262	770	188 652
S ARAB	1 786	252 742	5 315	790 450
QATAR	30	7 324	124	26 640
ARAB EM	231	42 242	718	144 244
OMAN	100	15 450	252	40 982
BAHRAIN	47	7 080	206	33 740
PAKISTN	101	27 500	105	28 124
CHINA T	–	–	679	54 879
LIBYA	–	–	856	175 223
SUDAN	–	–	294	67 777
NIGERIA	60	14 100	120	28 200
OTH CTY	600	93 729	2 766	543 142
TOTAL	4 362	752 244	19 833	3 427 748
7191508 SODA FOUNTAIN AND BEER DISPENSING EQUIPMENT, AND PARTS, NEC				
6 CANADA	–	157 828	–	1 128 125
MEXICO	–	17 563	–	53 393
VNZ	–	33 369	–	70 265
ING	–	15 142	–	59 899
LGIUM	–	–	–	34 348
FRANCE	–	756	–	73 702
SWITZLD	–	–	–	99 590
HG KONG	–	1 914	–	27 529
JAPAN	–	4 169	–	158 083
AUSTRAL	–	1 253	–	43 437
OTH CTY	–	76 955	–	337 724
TOTAL	–	308 948	–	2 066 895
7191509 AIR CONDITIONERS, AUTOMOTIVE NO				
2 CANADA	1 430	148 413	6 389	725 220
MEXICO	641	116 [illegible]	9 367	[illegible]

Country of destination	Current month		Cumulative, January to date	
	Net quantity	Value (dollars)	Net quantity	Value (dollars)
FRANCE	–	–	91	61 559
W GERM	–	–	34	43 534
SPAIN	56	25 256	252	172 [illegible]
YUGOSLV	90	52 991	108	60 787
GREECE	–	–	170	88 148
LEBANON	199	82 780	675	349 652
IRAQ	11	21 765	67	149 097
IRAN	2	2 176	540	609 394
ISRAEL	13	52 471	25	74 171
JORDAN	124	45 500	141	57 647
KUWAIT	122	139 224	1 [illegible]	1 064 017
S ARAB	168	227 017	2 [illegible]	1 462 614
QATAR	43	50 437	67	70 926
ARAB EM	157	193 188	833	988 815
OMAN	–	–	52	58 858
BAHRAIN	–	–	160	101 399
PAKISTN	–	–	26	52 934
THAILND	117	55 560	544	251 808
MALAYSA	58	35 181	91	62 144
SINGAPR	60	39 952	288	234 037
INDNSIA	153	108 723	453	355 181
PHIL R	6	7 088	44	96 043
HG KONG	282	78 385	977	486 087
JAPAN	19	16 765	205	80 579
AUSTRAL	–	–	173	77 078
ALGERIA	–	–	10	31 517
LIBYA	–	–	107	79 121
CAMROON	–	–	23	25 977
IVY CST	9	16 881	167	182 749
NIGERIA	59	112 270	145	237 679
ANGOLA	14	18 635	67	83 775
REP SAF	202	88 247	654	490 486
OTH CTY	65	69 692	487	469 497
TOTAL	2 727	2 184 409	17 841	13 836 598
7191512 AIR–CONDITIONERS, NOT SELF–CONTAINED, HEAT PUMPS, NOT ROOM–TYPE NO				
CANADA	58	20 366	438	201 745
SWEDEN	35	54 985	118	115 569
U KING	–	–	52	28 049
FRANCE	5	3 823	99	70 800
W GERM	4	1 758	109	30 636
SPAIN	27	22 080	34	28 589
REP SAF	294	136 260	436	218 100
OTH CTY	19	18 046	191	111 772
TOTAL	442	297 318	1 477	886 280
7191514 AIR–CONDITIONERS, YEAR–ROUND, INCLUDING ROOF–MOUNTED NO				
6 CANADA	363	358 766	2 404	2 386 898
MEXICO	104	116 220	266	269 164
[illegible]	–	–	26	37 655

Country of destination	Current month		Cu
	Net quantity	Value (dollars)	
BAHAMAS	1	9 750	
JAMAICA	70	31 088	
DOM REP	5	4 330	
TRINID	69	15 906	
N ANTIL	34	6 232	
VENEZ	293	109 763	
GUYANA	4	8 146	
PERU	–	–	
BRAZIL	61	61 797	
SWEDEN	8	9 283	
U KING	8	7 175	
FRANCE	65	22 754	
W GERM	36	45 454	
SWITZLD	151	87 707	
USSR	–	–	
SPAIN	8	9 830	
IRAN	11	14 370	
ISRAEL	–	–	
KUWAIT	–	–	
S ARAB	1	1 564	
ARAB EM	15	23 523	
INDIA	–	–	
PHIL R	15	23 153	
KOR REP	7	7 500	
HG KONG	2	1 554	
JAPAN	96	80 927	
EGYPT	30	36 358	
REP SAF	1	2 061	
OTH CTY	76	63 983	
TOTAL	1 881	1 042 734	
7191518 COMMERCIAL TYPE RE FREEZERS, NOT SELF–			
6 CANADA	282	241 515	
MEXICO	23	27 062	
PANAMA	13	3 774	
BAHAMAS	1	1 348	
JAMAICA	24	31 152	
HAITI	1	2 478	
DOM REP	10	11 350	
VENEZ	50	30 050	
GUYANA	3	12 884	
ECUADOR	40	47 072	
U KING	127	120 058	
BELGIUM	1	2 201	
FRANCE	44	38 563	
LEBANON	2	20 328	
IRAQ	12	37 116	
IRAN	–	–	
S ARAB	31	27 936	
ARAB EM	1	3 049	
SINGAPR	22	65 988	
[illegible]	–	–	

Note: United States trade with Puerto Rico (and other U.S. possessions) is included in report FT 800.

NOTE WELL: The basic Census export trade report is termed *FT 410: U.S. Exports of Domestic and Foreign Merchandise, Commodity by Country of Destination.* But this report *will not* include shipments to Puerto Rico,[1] usually an important market for most U.S. goods. Export information on Puerto Rico is published in *FT 800: United States Trade with Puerto Rico and with United States Possessions*, a report that may be hard to find. Some District Offices will have the information. If the one nearest you does not, write: U.S. Trade Reference Room, Trade Analysis Staff, U.S. Department of Commerce, Washington, D.C. 20230. Chances are they will provide you with exports to Puerto Rico for your Schedule B product category. Ask for seven-digit export data.

Example: *Mullen Manufacturing Co., Inc.,—a minority-owned manufacturer of road paving equipment—commissioned a preliminary screening to identify their best markets. Their Schedule B Number, which they obtained from the Department of Commerce, is 719.8010. Analyzing FT 410 and FT 800 reports for 719.8010, Mullen came up with the following markets, the best importers of road paving equipment indicated by the total U.S. exports for its category.*

Country	*U.S. Exports (in 000's)*
Canada	$7,552
Iran	1,730
Kuwait	1,150
Venezuela	1,000
Mexico	928
Sweden	650
Spain	532
Puerto Rico	345

LIMITATIONS TO WHAT EXPORT STATISTICS CAN DO FOR YOU. You must recognize potential limitations to Census' export trade statistics.

1. Some products are lumped together with many others (some dissimilar) in certain Schedule B classification categories. They are known as "basket" categories.

   Example: *Ping pong tables are included with roulette wheels, billiard tables, and other gaming tables. Thus, the best markets for just ping pong tables cannot be identified from an analysis of export trade statistics. But the information may still be useful.*

   The statistics will help you eliminate foreign markets. If "basket" category exports are small, then you will know exports for the product you are researching are even less!

2. Export statistics are based on past performance, not always the best estimate of future potential.

FASTEST GROWING MARKETS. Export statistics show past performance, but some countries may be a potential market for your product because of their rapid growth rate. In the past, they may not have imported products such as yours. See below for countries which will grow fastest between now and 1990.

THESE COUNTRIES ARE PROJECTED TO GROW FASTEST IN THE NEXT 15 YEARS

Country	*Estimated Growth Rate*
Saudi Arabia	11.0
Iran	10.8
Nigeria	8.2
Taiwan	6.7
Japan	6.5
South Korea	6.4
Brazil	6.4
Yugoslavia	6.4
Venezuela	6.3
Portugal	6.3
Romania	6.3
United States	3.1

Note: Estimated growth in GNP 1975 to 1990 in '74 dollars.
Source: Predicasts.

The U.S. Department of Commerce is particularly interested in three of these fast-developing markets: Nigeria, Indonesia, and Venezuela. They have commissioned in-depth research in all three to identify the top prospects for U.S. goods, research which also details how these goods are sold. This research is available for a small fee. If you are interested, check with the District Office of the Department of Commerce nearest you.

TARGET INDUSTRIES. The Department of Commerce has identified 15 industries that it feels will have exceptional export growth potential in the next 5 years.[2] (See page *109* for these industries.) Commerce has conducted extensive in-depth research this year and last in several key foreign markets to identify specific product opportunities in the 15

[1]The United States Government does not consider Puerto Rico an export market. However, most U.S. firms that sell to Puerto Rico assign sales responsibility to their export department.

[2]Limited to manufactured goods, only.

industries. The research reports describe marketing practices, and pinpoint potential customers. Documents available:

1. The original in-depth market research. The Department hires market research firms to develop the marketing information. Their individual country reports, frequently running 100 pages or more, are available on request.
2. *Country Market Digest.* Commerce publishes 8- to 10-page summaries of the in-depth original research for distribution.
3. *Global Market Survey* (GMS). Once all Country Market Digests for a particular industry are completed, a "master" report is published with an overview of the export potential.

If your firm's products fir a target industry category, then we suggest you request a copy of the Global Market Survey (GMS). Contact the closest District Office of the Department of Commerce. It will send you one, or tell you how to get a copy. After reviewing the GMS, ask for the Country Market Digest (more detailed) and the original in-depth surveys (still more detailed). Again, the District Office of the Commerce Department can provide the study or tell you how to get one.

THESE 15 INDUSTRIES OFFER THE BEST OPPORTUNITIES FOR U.S. EXPORTS

(According to the U.S. Department of Commerce's Target Industry Program)

Industry	*Publication Date*
Biomedical equipment	June 1973
Computers and related equipment	October 1973
Electronics industry production/test equipment	April 1974
Printing and graphic arts equipment	June 1974
Electronic components	October 1974
Metalworking and finishing equipment	January 1975
Avionics and aviation support equipment	May 1975
Process control instrumentation	July 1975
Food processing and packing equipment	August 1975
Air/water purification & pollution control equipment	December 1975
Laboratory instruments	February 1976
Business equipment and systems	May 1976
Electric energy systems	June 1976
Communications equipment and systems	August 1976
Building products and construction equipment	November 1976

Extensive in-depth market research is planned—or completed—on these industries.

OTHER SOURCES. Analysis of export statistics plus review of government foreign market research should give most firms sufficient information to narrow potential markets to no more than 10. If you feel this information is not available or not detailed enough, here are some additional "market research" sources:

1. *Trade Associations.* Many U.S. trade associations[1] analyze foreign market opportunities for member firms. Many will share this information.
2. *Government Industry Specialists.* The Department of Commerce, the Foreign Agricultural Service (FAS), the International Trade Commission, and other U.S. Government agencies have specialists who follow the international trends of most industries. They will share their information with you, and even suggest other sources. Page 110 describes how to contact.
3. *Experienced exporters.* Most exporters—even competitors—will share their information and experiences. Trade association officials or Department of Commerce District Office specialists can suggest contacts. You will be pleasantly surprised at the level of help you will get.

[1]The Encyclopedia of Associations published by Gayle Research; Book Tower; Detroit, Mich. 48226 lists practically every U.S. Trade Association. Most business libraries will have the encyclopedia and can give you names of appropriate associations by phone.

4. *Trade publications.* Most trade publications follow international marketing trends and conditions. A few have published in-depth research. Contact the editorial staff of publications covering your product and industry.[4]

5. *The World Trade Institute.* A computerized bibliography of thousands of market reports and publications is maintained by the World Trade Institute in New York. The average cost for a search, according to its officials is about $5. You will receive a bibliography plus a brief description of each document and how to get it. Contact the World Trade Information Center; One World Trade Center; New York, N.Y. 10048.

[4]If you are unfamiliar with all the publications covering your industry, check Business Magazines Rate and Data Service published by Standard Rate and Data Service, Inc.; 5201 Old Orchard Road; Skokie, Ill. 60706. It lists 4,000 U.S. trade publications. Business libraries carry this reference.

YOU'LL FIND INDUSTRY AND PRODUCT EXPERTS IN THE U.S. GOVERNMENT

COVERAGE	ADDRESS	TELEPHONE
Manufactured Goods	Bureau of Domestic Commerce Department of Commerce Washington, D.C. 20230	(202) 377-2000
Agricultural Products	Foreign Agricultural Service U.S. Department of Agriculture Washington, D.C. 20250	(202) 477-2971
Any Product	Office of Trade and Industry International Trade Commission Washington, D.C. 20436	(202) 386-6168

ANALYZE THE INFORMATION YOU'VE COLLECTED TO NARROW YOUR FOREIGN MARKETS. You should have enough information to narrow your prospective markets to no more than 5 or 10. Consider past exports. Consider nearness to the United States. Consider projected growth rates. Your next task is to narrow your choice to the best markets. Developing an export business in more than three foreign markets will require resources far greater than you have available. Thus, narrow the list to only one or two. You will have to obtain information about trade barries that may bar imports of your products in specific foreign markets and you will try to determine exactly how your products are normally sold there.

BARRIERS TO YOUR PRODUCT. The two kinds of barriers your product will face in a foreign market:

1. Tariffs. Foreign governments levy "taxes"—called tariffs (or duties)—on most goods coming into their country. First, the government may want to raise revenues, and secondly, the government may want to protect local production or husband-scarce foreign currency.

   Example: *The British government levies a tariff of 5.5% on the value of icemakers. Thus, the cost of an icemaker, valued $1,000 C.I.F. Liverpool, would be $1,055 after payment of the duty.*

2. Nontariff barriers. In addition to tariffs, countries frequently have other barriers to imports. Some establish quotas so that the total amount of a particular product is limited. Other governments insist that imported machinery must conform to national standards, sometimes difficult to prove.

   Example: *The U.S. Government restricts the amount of butter that can be imported in the United States through establishment of quotas. Imports of certain electrical manufactured goods into Germany are not possible unless the product has received a government inspection sticker, sometimes quite difficult to obtain.*

WHAT BARRIERS EXIST FOR YOUR PRODUCT: It's a simple matter to determine tariffs (special taxes on imports), but nontariff obstacles such as quotas or special standards are more difficult to pin down. If yours is a manufactured product, the U.S. Department of Commerce can provide you with the information; if yours is an agricultural commodity or product, check with the Foreign Agricultural Service of the U.S. Department of

Agriculture. If your Department of Commerce District Office cannot provide you the information, they can put you in touch with Washington tariff experts who follow trade regulations and restrictions abroad. Here is how to request the information.

1. Describe your product to the tariff specialist. It will help if you know the U.S. Schedule B Number.[5] The tariff specialist will have to identify the appropriate classification number for your product.
2. Indicate the country where you want to sell.
3. Ask tariff rates on your product category. Note: Sometimes replacement parts have different rates (and different product category numbers).
4. Ask for any nontariff barrier information.
5. Ask the specialist's opinion on the magnitude of barriers identified. He'll be familiar with the average rate for all imported products, and can probably give you an opinion as to the severity of the tariff barrier.

[5]Most foreign countries have their own system for classifying goods. Many subscribe to a system called Brussels Tariff Nomenclature (BTN).

FOOD PRODUCTS: A SPECIAL SERVICE. The U.S. Department of Agriculture offers a unique service for suppliers of food products who want to identify potential barriers abroad. USDA food specialists stationed abroad will check out all potential barriers. For information about this free service, contact: Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250, attention: New Products Testing System.

DRAWING CONCLUSIONS. Compare and contrast tariffs for each country. For example, Puerto Rico will have none. Compare the tariff rate for your product with the average rate for the country as a whole. Rates in Mexico, for example, are generally much higher than those of European countries with similar products. Thus, a high tariff rate in Mexico may not be as severe a barrier as an equivalent rate levied by a European country. Begin eliminating countries where barriers seem onerous; on the other hand, focus on markets with few barriers.

WHO WILL SELL YOUR PRODUCT?
(These are the kinds of firms you are likely to find handling the goods of U.S. suppliers)

There are many different types of firms abroad that sell U.S. products. The principal ones are commission (sales) agents, often called manufacturer's representatives, and importing distributors' wholesalers. In a few cases, a foreign manufacturer will take on a U.S. product to sell, which complements his own product line. In Africa and Japan, large trading companies will do the bulk of both exporting and importing. In Eastern Europe, government-owned state trading organizations do all exporting and importing.

1. *The export commission agent or representative.*[6] A commission agent acts as the sales representative for foreign suppliers. Small firms usually have no more than five product lines. Some are large, employ several salesmen, have branch offices, and handle hundreds of lines. A commission agent generally does not stock, but may provide servicing. The agent generally sells through a network of distributors (wholesalers) and/or dealers (retailers). But he also can solicit orders directly from end-users (manufacturers or contractors, for example). In all cases, the U.S. supplier ships to and bills the customer, not his agent, in the name of his U.S. manufacturer and forwards the orders to him.

   The agent's compensation, "the commission", is based on a percentage of the sale (most often the F.O.B. factory value). It is normally paid after the customer pays the U.S. manufacturers. The agent often advises suppliers on his customer's credit standing and he helps with tardy payers, as he is the "man on the spot." Commission rates vary according to product, order size, and other factors.

   Example: *A home appliance manufacturer has a standard commission rate of 5%. A manufacturer of scientific instruments has a standard rate of 10%, except in Italy where a 20% rate was set. But the agent was required to spend his own money in extensive market promotion.*

   A commission agent usually works on an exclusive territory (geographical) basis, and he won't handle your competitors.[7]

   Example: *A commission agent located in San Juan, Puerto Rico, represents five U.S. companies in the building products field. He works closely with large*

[6]The terms "representative" and "agent" are synonomous. Industrial products exporters usually prefer the term "representative"; consumer goods exporters generally use "agent."

[7]In larger foreign countries, a U.S. manufacturer may have more than one commission agent covering a particular territory. When a manufacturer makes several products which can be used in many industries, he often appoints several commission agents, each with exclusive sales rights to a particular industry.

Puerto Rican wholesalers, some on an exclusive basis, and he sells directly to large general contractors. His normal rate of commission from his U.S. principals is 5% on equipment, 10% on replacement parts.

2. *Distributor (who imports).* A foreign distributor is a merchant who buys from a U.S. supplier at a set price ans resells to end-users, retailers, ot smaller distributors. The distributor then sers his selling price (sometimes after consulting the supplier). There are two types of distributors: exclusive and nonexclusive. In return for exclusive selling rights from a U.S. supplier, the distributor often assumes fill responsibility for local sales promotion and servicing. The exclusive distributor will not bandle competitive products. He stocks inventorym has his own salesmen, and extends credit. He will install and service. Thus, his U.S. supplies gives him a much higher price break than an agent's commission because he assumes greater risk.

   The nonexclusive distributor functions in munch the same way, but the U.S. manufacturer does not give him an exclusive sales territory.

   In some countries the functions as a commission agent as well. Then he sells from inventory, but he will act as an agent in many transactions—perhaps on large orders from end-users—passing the order back to the U.S. supplier and taking a commission on the sale.

   Distributors frequently established a dealer (retailer) network, and they also sell directly to end-users. It depends upon the product and the size and traditions within the specific market.

   Example: *OTESCA is a large, well-financed Venezuelan distributor of road construction, industrial, and automotive equipment. It handles hundreds of lines from United States, European, and Japanese suppliers. Not only does it sell from inventory, but it will solicit orders on a commission basis. The firm acts as both an agent and distributor in the name of their supplires.*

3. *State trading organnizations.* In the Soviet Union , Egypt, Peoples Republic of China, and other Eastern European and African countries, government agencies called state trading organizations handle all imports. These organizations buy and sell on their own account.

   Example: *The Nile River Company, and agency of the Egyptiian government, handles imports of all rice. Tractor and Engineering Co., another agency, imports industrial equipment.*

4. *Trading companies.* Trading companies are the dominant marketing factor in Japan and some African countries. They are very large corporations engaged in many business activities. The trading company affiliates may include factories, banks, shipping and insurance companies. To show their importance as an importer, Japan last year imported $11 billion in U.S. goods. Trading companies accounted for more than 80% of that total.

   In some transactions, the company buys on its own account, ans it will also act as a commission agent.

   Example: *Mitsui and Company is a gigantic Japanese corporation with over $4 billion in annual sales. Its import arm handles more than $2 billion in U.S. goods annually. It represents several hundred U.S. firms in Japan.*
   The importes goods are destined for other Mitsui companies or independent customers.

HOW ARE YOUR PRODUCTS SOLD? A second question to answer: How do products similar to mine normaily get to customers? Ideally, you'll want to start your export efforts in those countries where the distribution system is similar to the one you use in the United States. You won't want to start out where marketing is different. For example, selling in eastern Europe and the People's Republic of China (PRC) is not at all like selling in the United States Government agencies control and conduct trade. Selling in Japan is also different. On the other hand, marketing in Mexico, Canada, Puerto Rico, most of Latin America, and Western Europe will be similar to your sales efforts in the U.S. market.

Several sources can help you find this information:

1. *Market Factors in (Foreign Country).* The Commerce Department has published a description of marketing practices for most countries. Check with the District Office of the Department of Commerce. If they cannot supply you with the one you want, they will tell how to order one.
2. *Market for U.S. Agricultural Goods in (Foreign Country).* The Foreign Agricultural Service has prepared in-depth descriptions of how agricultural products and food products are marketed in selected countries. To find out which are available, contact the Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250.
3. *Help from the private sector.* To find out what's available—and a lot of information *is* available—ask for a search of the World Trade Institute's computer-based bibliographic file. Contact World Trade Information Center, One World Trade Center, New York, New York 10048. A search costs about $5.

4. *Foreign country marketing specialists.* The U.S. Department of Agriculture (USDA), the Department of Commerce, and other agencies have specialists who follow foreign marketing trends. Contact the nearest District Office of the U.S. Department of Commerce for information on who they are and how to get in touch with them.

5. *Talk with an experienced exporter.* Nothing beats a briefing by someone selling the same type of product. Most exporters are flatteredwhen asked for advice. Again, the U.S. Commerce's District Office can probably put you in touch with an exporter near you.

GETTING YOUR PRODUCT TO MARKET. Your products will get to your foreign customers through different types of local sales organizations.

1. *Through an exclusive importing distributor.* He imports directly from the U.S. supplier and sells in his local market to smaller distributor-wholesalers, and/or to a network of dealers. Your distributor will also sell to end-users (manufacturers, cooperatives, contractors, etc.)

   Example: *A U.S. manufacturer of medical instrumentation sells in Switzerland through Laubscher & Co., A.G., an exclusive distributor. This distributor purchases directly, and generally marks up the price by 30%.*

2. *Through a commission agent (or representative).* A commission agent solicits orders and passes them on to the U.S. supplier, who then ships directly to the foreign customer. The agent also sells to manufacturers or through a network of distributors and dealers.

   Example: *A U.S. manufacturer of consumer plastic products sells in the United Kingdom through Spearhead Selective Sampling a commission agent. Spearhead solicits orders from wholesalers and department stores.*

3. *Sell direct to customers.* Customers are so few in some countries, the U.S. manufacturer sells to them directly.

   Example: *A U.S. manufacturer of automotive panel instruments sells directly to Scandia-Vabis, a Swedish truck manufacturer.*

As your export business expands, you may use different methods to reach customers in different countries. For example, a home appliance manufacturer uses a commission agent in Puerto Rico and Canada, a trading company in Japan, and an importing distributor in the Philippines.

WHAT IS BEST FOR YOU? How will you sell in the one or two markets you have selected? If the markets are large, you probably will select a commission agent or representative. Then he will be responsible for setting up proper distribution (generally you will find it easier to establish a commission agent or representative than a distributor). If the markets are small, or if yours is a product that requires inventory and/or servicing, you may want to seek distributors.

TO SUM UP. You will quickly be able to narrow the number of potential markets from 50 to no more than 10 by analyzing U.S. export statistics, or by access to foreign market research reports. In narrowing the list to the one or two best markets for your products, find out the potential import barriers and analyze the selling methods needed. You won't have to take a trip abroad to select those markets that offer the most potential. A wide range of market research information is available.

CHAPTER VIII

MARKET PENETRATION: WHAT YOU WILL NEED

INTRODUCTION. You will find it advantageous to develop a simple marketing plan. Also, you will have to prepare catalogs, specification sheets, and acceptable price lists. These are minimum requirements. Your prospective agent[1] will be unable to sell your products successfully without these basic tools.

MAKING A SIMPLE PLAN. At this point, you have selected the best market and made a decision on what form of distribution you will use to reach customers in this market. Your next step is to develop a simple market plan. As a minimum, your export plan should include:

1. A statement of your objectives. These should be realistic and stated in terms you can measure.

   Objective: $15,000 in orders within 6 months.

   Objective: To "sign" an agent in Puerto Rico by (name date).

2. Strategy/choices. As an exporter, you have several strategy choices. You can modify your product (expensive to do), you can raise or lower your prices, you can change one of several marketing methods, and you can spend a great deal on promotion or none at all.

3. Budget. Budget for your efforts. Items to consider: personnel, promotion material such as catalogs, price sheets, and service manuals (a full-time export manager will probably run $50,000 or more. That includes his salary, traveling expenses, etc. The new exporter that focuses on just one or two markets can set a budget of $500 per country).

TALK WITH A SPECIALIST. At this point, talk with someone experienced in export. They'll help you establish a budget and review your plans. The Commerce Department District Office is a good place to start. (See page 115 for a description of what they can do for you.) You can register your firm on their computer-based list of U.S. firms interested in exporting. This list is used by the Department of Commerce to alert exporters about activities such as upcoming foreign trade shows.

YOUR CATALOG OR SPECIFICATION SHEET: ESSENTIAL! Forget an elaborate brochure. In fact, your domestic brochures with "inserts" giving export information may work out. The export "insert" should include the following information: how your products are shipped, how they are packed, and shipping details such as dimensions, gross and net weight, etc.

YOUR EXPORT PRICE SHEET: ALSO ESSENTIAL! Most experienced importers want to know the cost of your goods at a U.S. port of exit. They're experienced in estimating ocean (or air) freight and insurance charges. Therefore, try to develop an export price that includes inland freight and a "cushion" to cover additional costs (freight forwarder fees, commissions). Also indicate minimum order quanities and estimated cost of export packing. (See page 116 for an example of a simple export price sheet.)

Many exporters use "list prices" (the price to the final customers) plus discount sheets given to their foreign agents.[2]

Most new exporters simply use their domestic price plus inland freight, packing, etc. This may result in a price that is too high (or possibly too low). You want a price that returns a suitable profit, yet low enough to be competitive. Some experienced exporters recommend eliminating domestic marketing costs (such as advertising and selling expenses) from their export price.[3]

Note: Your price should also include a "cushion" to cover additional costs (freight forwarder's fees, etc.) and to cover commissions.

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[1] In this handbook, we use the term "agent" to indicate any type of export selling organization: commission agent (or representative), distributor, state trading organization, trading company, etc.

[2] Some exporters use different discounts in different markets. They attempt to "fit" their price to the specific market.

[3] More experienced exporters frequently take into account marginal (or incremental) cost prices. The start with only direct, out-of-pocket costs of producing and selling for export. This is their floor price. Anything lower would be a loss. The difference between this floor price and the final selling price is known as contribution to overhead and profit.

20 WAYS COMMERCE DEPARTMENT DISTRICT OFFICE SPECIALISTS CAN HELP YOU SOLVE YOUR EXPORT PROBLEMS

1. A specialist can help you decide whether you should export, and if so, how to do it.
2. They can help you with your response to foreign inquiries.
3. They can tell if your product is exported and where.
4. They can tell you the special Schedule B Numbers (needed for your export declaration and useful in checking out trade statistics) and the SIC code.
5. They'll brief you on how air and ocean freight forwarders help you.
6. They'll help you get government-sponsored foreign market research on your products.
7. They can tell you (or find someone who can) what the import duties are for your products.
8. They can tell you where you can get information on how to do business abroad, etc.
9. They'll advise you on U.S. export controls and whether you need a special export license.
10. They'll tell you how to get more inquiries from abroad. Specialists help you complete an application for the Trade Opportunity Program (TOP). (See page 97.)
11. They'll tell you how to find foreign agents and/or distributors. A specialist can help you complete an application for the Agent Distributor Service (ADS). (See page 121.)
12. They'll tell you how to develop lists of potential customers in all world markets. They'll help you apply for the Export Mailing List service. (See page 121.)
13. Specialists tell you how to get background and credit reports on foreign firms. They'll help you apply for a World Traders Data Report. (See page 118.)
14. They'll tell you what U.S. Government trade shows will feature products like yours and where they will be held. Should you decide to exhibit, they'll help you apply and provide you with tips on making your exhibit successful.
15. A specialist can give you tips on foreign travel.
16. They'll tell you about the services of Export Management Companies and how to find one (See PART THREE).
17. They'll brief you on export financing and export credit insurance. They can put you in touch with the Export-Import Bank of the United States and the Foreign Credit Insurance Association.
18. They can introduce you to a banker who is active in foreign trade.
19. They can put you in touch with experienced exporters and world trade clubs.
20. Specialists can help you with a market plan and budget.

NOTE: Not all district offices give the same caliber of help. It depends on location, staffing level, and individual expertise. Remember, a specialist cannot find financing for you.

TO SUM UP. Before you begin an active sales campaign, you will need to plan. You must have catalogs and price sheets. If you don't, agents and distributors won't work with you.

JOHNSON PRODUCTS CO. INC. PRICE SHEET

PROFESSIONAL

Minimum Order U.S. $500. Export Packing at Cost. All Prices F.O.B. Port of Exit.

CODE NO.	SIZE	PRODUCT	SUGG. U.S. WHOLESALE PRICE, EACH	NET COST PER DOZ.	CASE PACK	SIZE & WEIGHT PER CASE PACK	CASES PER PALLET
015	16 oz.	Ultra Wave Hair Culture (Straightener)	$1.50	$10.80	1 doz.	0.46 cu. ft./22 lbs.	110
060	4¼ lb.	Ultra Wave Pre Creme	3.25	23.40	½ doz.	1.00 cu. ft./32 lbs.	42
101	16 oz.	Ultra Sheen Creme Satin Press	3.60	25.92	1 doz.	0.46 cu. ft./16 lbs.	121
115	4 lb.	Ultra Sheen Creme Shampoo	4.25	30.60	½ doz.	1.0 cu. ft./28 lbs.	56
120	16 oz.	Ultra Sheen Duo Tex Protein Conditioner	3.95	28.44	1 doz.	0.36 cu. ft./15 lbs.	115
125	16 oz.	Ultra Sheen Dand A Rinse Concentrate	1.25	9.00	1 doz.	0.36 cu. ft./15 lbs.	115
130	16 oz.	Ultra Sheen Shampoo Concentrate	1.75	12.60	1 doz.	0.36 cu. ft./15 lbs.	115
140	15 oz.	Ultra Sheen Protein Creme Conditioner	3.30	23.76	1 doz.	0.30 cu. ft./15 lbs.	120
145	14 oz.	Ultra Sheen Creme Base #1	1.25	9.00	1 doz.	0.46 cu. ft./20 lbs.	110
150	16 oz.	Ultra Sheen Creme Relaxer #2 Regular	3.65	26.28	1 doz.	0.45 cu. ft./22 lbs.	110
153	16 oz.	Ultra Sheen Creme #2 Super	3.65	26.28	1 doz.	0.45 cu. ft./22 lbs.	110
155	32 oz.	Ultra Sheen Neutralizer Shampoo	2.25	16.20	1 doz.	1.0 cu. ft./29 lbs.	55
160	32 oz.	Ultra Sheen Rinse N Set	1.25	9.00	1 doz.	1.0 cu. ft./29 lbs.	55
162	1 Gal.	Ultra Sheen Super Setting Lotion	5.00	36.00	½ doz.	1.0 cu. ft./37 lbs.	48
163	8 oz.	Ultra Sheen Hold-N-Sheen Dispenser (Empty)	0.60	4.32	1 doz.	0.39 cu. ft./1.5 lbs.	189

PRICES QUOTED: F.O.B. U.S. PORT OF EXIT

MINIMUM ORDER: $500 NET

CASH WITH ORDER DISCOUNT: 3%

EXPORT PACKING: AT COST (MINIMUM PALLET ORDER $12.00)

INLAND FREIGHT: PREPAID TO U.S. PORT OF EXIT

INSURANCE: FOR YOUR ACCOUNT

CREDIT TERMS: IRREVOCABLE LETTER OF CREDIT OR SIGHT DRAFT D/P

PROMOTION AND ADVERTISING MATERIAL
BY MUTUAL ARRANGEMENT.

CABLE ADDRESS: JPCINT

TWX: 910-221-1178

JOHNSON PRODUCTS COMPANY INC., • 8522 S. Lafayette Avenue • Chicago, Illinois 60620

PRINTED IN U.S.A.

1.75

CHAPTER IX

FOREIGN AGENTS: PICKING THE RIGHT ONE

INTRODUCTION. Your selling effort abroad depends on the selection of a competent and motivated agent or distributor.[1] An agent has the reputation of your company in his hands as well as your future in his market. Yet, he is really only tied to you by the profit he makes from sales.

This chapter discusses how to select, evaluate, and support agents. Selection is a two-step process. Selecting agents requires time, patience, and discipline. First, you must develop a list of several possible agents per market. Then narrow the list to your first choice and a few backup candidates. A common export failure: agency relationships are entered into much too lightly. Thus, exporters "throw away a market" and "buy trouble" by choosing the wrong one in the first place. Experienced exporters say that selection of adequate agents is one of the biggest barriers to establishing a successful export business.

YOUR FIRST STEP: THE AGENCY PROFILE. Before you develop your list of prospects, go through the following "exercise" to clarify your objectives:

1. Size of firm. Do you want a one-man firm or a large, perhaps better-financed one with many salesmen?
2. Does it matter if the agent has competing products?
3. Financial needs. Will you need the foreign agent to invest his money in market promotion, inventory, or servicing equipment?
4. The agent's existing business. What kinds of customers should he have?
5. Degree of know-how required. What specialized marketing, technical, and sales experience or expertise is required of the firm and its personnel?
6. Facilities. What physical facilities (warehouse, branch office) are needed for stocking and distributing your goods?

The answers to those questions will help "paint the picture" of the ideal agent.

AGENT DISTRIBUTOR SERVICE (ADS). It develops "live" agent prospects in most world markets. U.S. firms submit requests for an agent "search" to the Department of Commerce. Their requests are then sent to U.S. Foreign Service posts, where[2] State Department personnel (usually the commercial attache) *personally* contact local firms on the U.S. manufacturer's behalf. If local firms are interested, this information is cabled back to the Commerce Department, who then immediately sends it to the ADS requester. The service takes up to 3 months.

Commerce processes several thousand ADS requests each year, and one out of four requestors signs up one of the suggested firms. The fee: $25 per country. See page 121 for a sample of a filled out ADS form and a sample of the information provided upon completion of the search.

ADS forms—and help in completing them—are available at your District Office of the Department of Commerce. A word of caution: be precise as to the type of agent wanted. Include literature on both your product line and your firm. You must make sure that the Foreign Service post has adequate information on you and your products so a good "selling job" can be done.

Remember—followup! The Foreign Service post has made an effort; foreign firms have stated interest. If your plans are delayed, write a letter saying so. If you make other arrangements, show "good manners" and let them know.

EXPORT MAILING LIST. The Department of Commerce has the names of 150,000 foreign firms in a computerized file called the Foreign Traders Index. The list is broken down by the type of firm (manufacturer, commission agent, distributor, wholesaler, etc.), each classified by what it makes or sells. You can buy lists of names (called an Export Mailing List) at 6 cents a name plus a $10 computer set-up fee. You can select by type and size of firm and by country. You can also get the list on mailing labels, if you want.

[1] In this chapter the word "agent" is used in its general sense, applying either to a commission agent (or representative) or to a distributor.

[2] It is not available for Puerto Rico.

Example: *A U.S. audio-visual manufacturer looking for representation in Venezuela wanted a list of Venezuelan importers who sell similar equipment, so it ordered an Export Mailing List. In 2 weeks the firm had a print-out of 75 Venezuelan firms. Cost: $14.50.*

For this Export Mailing List service, check with the District Office of the Department of Commerce for an application. But if you plan to use it, we recommend a telephone call to Washington-based experts who have good advice on selection criteria and print-out format. Contact: Export Information Division, Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230. Telephone: (202) 377-4684.

A word of caution: the 150,000 names on the FTI list represent only a portion of the business firms in each industry. New and important companies may not be listed. (There isn't a list for Puerto Rico.)

OTHER SOURCES FOR PROSPECTIVE AGENTS. You can add to your list of candidates by checking these sources.

1. The Export Department of manufacturers making a complementary product. Their agents may be qualified to handle your product.
2. The Export Department of competitors. They won't help you directly, but look at their sales literature or advertisements. They often list names and addresses of their foreign agents.
3. Trade associations have executives who follow international business trends. May have lists of prospective agents.
4. Business magazines, particularly those oriented to export. (There are about 50.) For example, *Export Magazine* keeps files on active agents.
5. Commercial directories are published for virtually every industry in every country. For example, *Toy Trader Yearbook* lists all importers of toys and games in the United Kingdom. Ask your local library to help you identify and obtain directories.
6. Your freight forwarder may know of important exporters.
7. Commercial banks with international expertise usually have lists of agents. The District Office of the Department of Commerce can tell you the best ones to contact. However, if you're not a customer, they may not want to share information.

A TRIP ABROAD? You won't have to travel to develop a list of prospective candidates. But how about selecting and appointing your final choice? Some manufacturers don't believe in appointing an agent without a trip to personally evaluate their potential. On the other hand, hundreds of firms have selected and worked with foreign agents without such a trip. What is best for you depends upon your resources. If you can't visit the foreign market, then avoid a formal appointment. Opt for an informal arrangement to be formalized only after your "trial" period.

YOUR FINAL CHOICE: SEVEN QUESTIONS TO ASK. Here are seven basic questions we think you should ask about prospective agents.

1. What industry or industries does he cover?
2. Who are his customers? (by type of firm, by name)
3. What other U.S. product lines does he have?
4. What are his financial resources?
5. What are his particular marketing strengths? (advertising, direct sales calls, etc.)
6. Who will sell your product? (sales background and other sales responsibilities)
7. Does he pay his bills?

The three basic sources of answers to these seven questions are (1) the U.S. Government, (2) other U.S. firms who trade with the agent, and (3) the agents themselves.

GOVERNMENT HELP: WORLD TRADERS DATA REPORT (WTDR). You can get concise background reports on all foreign firms from the U.S. Department of Commerce, which sells a service called World Traders Data Report. Cost: $15 per report and it's worth it! The report will have credit financial, and commercial data. A typical WTDR lists the following business and financial information on any firm: the year established, marketing methods, product lines (both United States, European and Japanese), the local reputation in trade and financial circles. U.S. exporters buy nearly 50,000 of these reports every year. If the report is on file, you'll get it in a week. But it will take up to 2 months to get one if the firm is not on file. See page 123 for a sample WTDR. A WTDR not only will give you good background information, it can definitely help you make your final selection because:

1. A WTDR lists other U.S. companies that do business with the agent. You can contact their firms for first-hand information.

   Example: *Lines 19 and 20 of the sample report for the German firm, Kingfisher Suesswaren, indicates that U.S. firms trading with the German firm are North American Chicle Co., Johnson Machinery, and Tedenson Co.*

2. The U.S. Government either recommends or doesn't recommend the foreign firm as a trade contact. It's the last line of the report. If the

firm's reputation is questionable, the government will not recommend it.

Example: *The last line of the sample report: "Consulate recommends subject as an excellent trade contact for U.S. firms."*

Commerce Department District Offices have application forms and will help you complete one. Once you receive your WTDR, they will also help you interpret the information. Payment must accompany your order.

WRITE TO THE AGENT. If you don't want to use WTDR's because of cost or delay, (some take 30 days or longer), then write each firm asking about their interest in handling your line. For your agent letter:

1. Tell him (positively!) that your products will help increase his profits.
2. Using U.S. export statistics, refer to your product's chances in his country.
3. *Sell* your company and its products. List important U.S. customers (names he will recognize), product features, and competitive advantages. *Be sure* to mention any sales to customers in his market!
4. Ask the agent: his business; sales territory; what other U.S. products does he handle, etc.
5. Ask him for an appraisal of your product's potential and what, in his opinion, will be needed to make sales (such as price or product adjustment).
6. Ask him if he's interested in handling your product.

You can do this by air mail letter. See page ??? for a sample letter to an agent prospect.

But think also of a telephone call. Rates are probably cheaper than you think. (Ask your telephone company for the cost of a 5-minute call). And 5 minutes of conversation can elicit a lot of information. But if you telephone, write in advance so the agent will be prepared (and available). The box below gives tips.

TIPS FOR TELEPHONE CALLS TO FOREIGN FIRMS

1. Be aware of time differences and time your call appropriately.
2. Speak clearly and distinctly, and identify yourself and company.
3. Avoid slang and jargon.
4. Be courteous, polite, and helpful. This demonstrates that doing business with you is a pleasant experience. Remember also that your voice conveys a mental image of your personality, so be tactful and tasteful.
5. Maintain clear detailed notes before you for a well-organized delivery that will enable maximum usage of conversation time. The manner in which you express yourself conveys an indication of your skill and intelligence and your story may be the prospect's only clue to your company and your product.
6. Always confirm what you understand any agreements to be. Clarify matters during the telephone conversation rather than run the risk of an embarrassing and costly misunderstanding later.

NARROWING YOUR SELECTION. Some firms will not respond. Others will give you very sketchy information. Eliminate them. But those that do answer may still present problems to the new-to-export company.

1. Successful, well-established agents are *very selective* about additional product lines. They're cautious about dealing with firms that are inexperienced in export. It will take a *superior selling* effort to convince them. Of course, if your product is unique, you won't have problems.
2. The agent who says he is interested in your line may not have the contacts or track record to sell your product. If he's a distributor and does not have the resources, he will ask you for financial help.

Another trade-off is large versus small. A large firm will have many salesmen, but your product may get lost among the hundreds of other lines. A smaller firm can devote more time to your products, but it may lack the resources needed for full market coverage. You should be used to this kind of a choice: you already faced it in the U.S. market.

If the agent gives you U.S. references, call them at once for a candid evaluation. U.S. exporters usually exchange this information fully.

WHO IS CHOOSING WHOM? One experienced U.S. exporter says, "In the end, a good agent selects the U.S. firm, it's not the other way 'round. Therefore you must sell the agent on the advantages of your lines." Remember, the agent has the following requirements:

1. He must make a profit on your line. He'll need enough sales to cover his costs. And first year costs may be high.
2. He needs continuing promotion support. He will need catalogs, price sheets, etc.
3. He needs prompt responses to his questions.
4. And he needs on-time delivery of your product.

COMING TO TERMS WITH YOUR AGENT. No matter how you select an agent, there are a number of points still to be settled.

1. The rate of commission (if a commission representative) or the price discount (if a distributor), how to calculate them (usually the F.O.B. factory order value), when commission payment is due (if they use a "commission man" most U.S. firms will wait until the customer pays in full).
2. The support your agent wants—i.e., sales promotion material (and who pays for it), advertising allowances.
3. Responsibilities you expect from your agent—i.e., product installation, servicing, stocking, special promotions.
4. Pricing and instructions on orders—i.e., minimum order size, policy on samples, credit information on prospective customers.
5. Termination arrangements.

There are other "hidden" ones. For example, you may sell directly to a manufacturer in your agent's territory or one of your U.S. customers may resell to someone there. In this case, your agent will want "protection," particulary if your product needs servicing. Some exporters give commission protection, but at a reduced rate.

Many agents are happy with a verbal agreement with an agent. Others prefer an exchange of letters stating mutually-agreed-upon points. Still others hold out for a formal written sales agreement (contract).

Whatever agreements you make, insist on a trial period of 6 months to a year.

ESSENTIAL: CARE AND FEEDING OF YOUR AGENT. Many exporters worry about the courtship and the "marriage ceremony," then ignore the marriage. Exporters should always supervise and motivate the agent's performance to fully exploit the market. Here are six suggestions to get him "on your side":

1. He needs education on what your product does, what U.S. industries use it, and how to sell it. Don't hold back on the sales points. Tell him what promotion techniques have been effective. Do this periodically!
2. Answer his correspondence promptly and completely. If he needs additional catalogs and price sheets, consider sending them by air.
3. Take special care with export shipments. Make sure your shipping department doesn't try to "sneak" in a domestic reject. Make sure packing is adequate and *ship on time*. If there are delays, wire your agent. Poor quality, damaged, or delayed merchandise is a sure guarantee of market failure (and agent cancellation).
4. Pay him promptly, if he is a commission agent.
5. Encourage your agent to visit your U.S. facility. Many regularly visit the United States to meet with suppliers.
6. Consider a cooperative promotion campaign. (You match the agent's funds for sales brochures, counter displays, or advertising.) Many exporters feel this is an effective use of advertising funds. (It's discussed in more detail in the next chapter.)
7. Put your agent on your mailing list. And don't forget the telephone.

WHAT IF YOUR AGENT FLOPS? Let's face it, some agents won't make the grade. Review his performance *constantly*. Sometimes poor performance is not his fault: his letters to you go unanswered, or he becomes dismayed because you haven't given him adequate support. But he's probably responsible for his poor showing: he handles too many lines; he doesn't want to learn how to sell your products; your commission rate is too low for an adequate incentive; or poor performance stems from incompetency.

Take care if you want to cancel out an agent. There won't be any problems as long as your "arrangement" is informal. But if you have a formal contract, it could get sticky. Some countries require foreign manufacturers to compensate agents who are dropped. Before you act, check with the Department of Commerce or a seasoned exporter or an international executive at your bank.

TO SUM UP. There is an old saying in export: "Your line is only as good as your overseas agent." Agent selection is one of your most vital export decisions. Give it top priority. Your success depends upon his effectiveness. Develop a list of potential agents, then with "diligence and discipline" narrow the choice down to two before final selection. Do not forget that an agent needs both motivating and measuring.

Form Approved; OMB No. 41-R2710

FORM DIB-424P (REV. 12-73)

U.S. DEPARTMENT OF COMMERCE
DOMESTIC AND INTERNATIONAL BUSINESS ADMINISTRATION
BUREAU OF INTERNATIONAL COMMERCE

REQUEST FOR AGENT/DISTRIBUTOR SERVICE

1. Date: November 20, 1974

2a. Name and address of requesting firm:
Compuscales, Inc.
1281 Poplar Road,
Southmoor, Michigan 48870

b. Name of requesting officer: George K. Jones

c. Telephone No. (include area code): 313-622-0563

TO: DIBA Regional or District Office at:
445 Federal Building
Detroit, Michigan 48226

INSTRUCTIONS - For each territory where a business connection is desired, submit four (4) copies of this form to the above office.

3. Foreign country or city where representation desired: France

4. Types of business of requesting firm *(Check)*
[X] Manufacturer [ ] Export Management Co.
[ ] Other *(Specify)* _____

5. Type of business connection desired *(Check)*
[X] Sales indent agent who takes orders for direct shipment to the buyer and receives a commission as compensation.
[ ] Distributor or wholesaler who imports for his own account and sells to others.

6a. Are you presently represented in this territory? [ ] Yes [X] No
If "Yes," by whom? _____

b. Has your present representative been informed of your desire for a change? [ ] Yes [X] No (NA)
(ADS cannot be undertaken without assurance that your present representative has been informed)

7. Have you corresponded with any firms in this market regarding your proposal? [X] Yes [ ] No
If "Yes," please indicate names and addresses of firms and their reactions:

Name of firm	Address	Reaction
H. Poirot et Cie.	128 Blvd Haussmann Paris	Interested.

8a. From your experience what type of company can best fill your needs? An Agent with good contacts in heavy industries-railroads, mines, steel and paper

b. What other product lines fit in well with yours? Belt scales, capital equipment used by the above types of industries.

c. What special technical or other qualifications should this company have? Some knowledge and expertize in weighing and electronic measuring devices.

9a. Product(s) to be exported. *(Give detailed description, as non-technical as possible. Use continuation sheet, if necessary.)*

Electronic scales for weighing railroad cars and automotive vehicles. Compuscale systems comprise platforms supported by strain gauge load cells in the track line or on the highway. These are connected to small, rugged limited use computers. The computers assess the weight of each vehicle as it passes over the scales. They add the weight of the various axles and print the total weight. The information can be transmitted long distances over teletype lines and sent directly to general purpose computers. The necessity for stopping vehicles or uncoupling railroad cars is eliminated. The Compuscale not only saves time and labor, but weighs more accurately and records the information instantaneously where needed.

SAMPLE

b. Is product literature being sent to the post? [X] Yes [ ] No
(If considered necessary, product literature should be mailed to the Foreign Service Post.)

10. Signature of regional or district office representative: DE-10

11. Signature of applicant: Geo K. Jones

USCOMM-DC 61013-P74

AGENT/DISTRIBUTOR SERVICE
TELEGRAPHIC REPLY

This reply is submitted by the U.S. Foreign Service under the direction of the Secretary of State. No responsibility can be assumed by the Government or its officers for any transaction with any persons or firms mentioned. The requesting company is urged to write to all firms thanking them for their interest even if no business arrangement is concluded. Brochures, prices, terms, credit references and other pertinent infomation should be sent to those firms with which it is decided to enter into correspondence. All inquiries relating to this reply should be addressed to the Regional or District Office of the U.S. Department of Commerce which processed the ADS request. The office will be pleased to be of assistance in responding and in obtaining World Traders Data Reports on firms listed.

DOMESTIC & INTERNATIONAL BUSINESS ADMINISTRATION
U. S. DEPARTMENT OF COMMERCE, WASHINGTON, D. C. 20230

FM AMEMBASSY PARIS
TO USDOC WASHDC
BT
UNCLAS PARIS 28648

USDOC

E.O. 11652:N/A
TAGS:BEXP FR
SUBJECT: ADS REQUEST: COMPUSCALES, SOUTHMOOR, MICH.

FOLLOWING FIRMS INTERESTED CORRESPONDING:

1. SOCIETE COFRAN, 22 RUE RASPAIL, 94200 IVRY-SUR-SEINE-
ATTN: M. NOORDIN.

2. CAPDEVEILLE S.A., 206 RUE SAINT-MAUR, 75010 PARIS - ATTN: M.
CAPDEVEILLE - PRESIDENT AND GENERAL MANAGER.

3. A.D.V., 4, RUE BLONDEL, 92400 COURBEVOIE- ATTN: M. MAIGNAN,

COMMENT: SEE OUR TELEGRAM 28643 SUBJECT FOREIGN GOVERNMENT TENDERS
SIC 35760 RAILROAD SCALES. URGE COMPUSCALES SEND REPRESENTATIVE
AUTHORIZED APPOINT AGENT AND SUBMIT TENDER.
BT
#028648

SAMPLE

World Traders Data Report

This report, submitted to the U.S. Department of Commerce by the U.S. Foreign Service—Department of State, is transmitted in confidence. No responsibility can be assumed by the Government or its officers for any transactions had with any persons or firms herein mentioned. The report is not for publication. All correspondence relating to information in this report should be addressed to the Export Information Division, Bureau of International Commerce, DIBA, U.S. Department of Commerce, Washington, D.C. 20230

SECONDARY DISTRIBUTION PROHIBITED.

SAMPLE

R 100820Z APRIL 75
FM AMCONSUL MUNICH
TO USDOC WASHDC
UNCLASS MUNICH 0128
SUBJECT: WTDR/FTI KINGFISHER SUESSWAREN GMBH

REFERENCE: USDOC 18345

1. GERMANY 2. CNTRY CODE: 428 3. SER NO: 0709400

4. KINGFISHER SUESSWAREN GMBH.

4A. CODE: K 4B. CODE: G 4C. CODE: X
5. POSTFACH 1272; GERNESTR. 252
6. 8000 MUENCHEN 15, GERMANY

7. ESTABL: 1952 8. EMPL: 300 9. SIZE: (19-X) LARGE
10. REPUTATION: (22-X) EXCELLENT

11. SELLS ITS PRODUCTS IN THE FOLLOWING FOREIGN AREAS LISTED IN ORDER OF IMPORTANCE: UNITED KINGDOM, FRANCE, SPAIN, NORTH AFRICA, MIDDLE EAST, JAPAN, REP. OF S. AFRICA, UNITED STATES AND SOUTH AMERICA.

12. RPT. DATE: 04/75

13A. 20650/0345 MFR. DIST. EXP. IMP. OF CONFECTIONERY AND
13B. 20660/0345 CHOCOLATE AND COCOA PRODUCTS
13C. 20670/532 AGT. IMP. DIST. OF CHEWING GUM
13D. 20520/04 MFR. DIST & EXP. OF COOKIES
13E. 20231/5G IMP. OF DRY MILK PRODUCTS: INTEREST IN LICENSE TO MANUF.
13F. 35891/5F IMP. BAKING & RELATED EQUIP; INTEREST IN NEW LINES & DEVELOPMENTS
13G. 35512/F INTEREST IN ANY NEW FOOD PACK. & BOXING MACHINERY

14. CONTACT: KARL JOSEF NEFFE TITLE: MANAGER

15. CABLE: NEMET 16. TELEX: 2258051

17. TEL: 012/2437511 AND 2437586

18. FINANCIAL REFS: DEUTSCHE BANK AG, MUENCHNER LANDSTR. 17, AUGSBURG: COMMERZBANK AG, OPERNRING 2, MUNICH.

19. TRADE REFS: JOHNSON MACHINERY, INC., 862 S. LOS ANGELES ST., LOS ANGELES, CA 96102: AND TEDENSON CO., INC., 125 SOUTH ST., BOSTON, MA 02111.

20. FOREIGN FIRMS REPRESENTED: AGENT OF NORTH-AM CHICLE CO., P.O.B. 245, WASHINGTON, D.C. 20001, FOR CHEWING GUM, ACQUIRED 1954; LICENSEE OF ENGLISH TREACLE, LTD., NORTHGATE, LONDON E.C. 4, FOR HARD & SOFT CANDIES, ACQ. 1965; LICENSEE OF SCHWEIZERISCHE SUESSWAREN, ZURICH, ACQ. 1965.

21. THIS FIRM IS ONE OF GERMANY'S LEADING MANUFACTURERS OF ALL TYPES OF CONFECTIONARY. FIXED ASSETS LATEST REPORTED AT DM 1.5 MILLION AND CAPITALIZATION AT DM 3 MILLION. ANNUAL SALES DM 6.5 MILLION. MANUFACTURING FACILITIES AND HEAD OFFICES LOCATED IN MUNICH. FIRM RECENTLY MODERNIZED COOKIE PRODUCTION FACILITY WITH INSTALLATION OF TWO HIGH VOLUME CONVEYOR-OVEN UNITS FROM HAALFORS OF SWEDEN. DISTRIBUTION WAREHOUSE IN MANNHEIM FOR SOME EUROPEAN SALES AND IN BREMEN FOR EXPORT SALES. FIRM SELLS ITS PRODUCTS FINISHED AND PACKAGED TO FOOD BROKERS AND LARGE FOOD CHAINS AS EXCLUSIVE AGENTS IN ALL MARKETS EXCEPT U.S. WHERE TENDENSON COMPANY IMPORTS IN BULK AND PACKAGES WITH AMERICAN LABELS. THE MAJORITY STOCKHOLDER IS HEIDE DERRIG AG, A HOLDING COMPANY LOCATED IN MUNICH. BANKING SOURCES REPORT FINANCES ARE SOUND, OBLIGATIONS MET PROMPTLY. MANAGEMENT CONSIDERED HIGHLY REPUTABLE AND EXPERIENCED BY LOCAL BUSINESS SOURCES, ESPECIALLY FOREIGN SALES MANAGER HELMUT SCHOLZE, FORMERLY WITH NESTLE. CONSULATE RECOMMENDS SUBJECT AS AN EXCELLENT TRADE CONTACT FOR U.S. FIRMS.

SAMPLE

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(What to write when you are looking for an agent to sell your line.)

Bermeo Hnos
CIA S.A.
Borrero 6-37
Cuenca, Ecuador

Attention: Gerato Bermeo
Managing Director

Gentlemen:

We believe there is a growing market in your country for our line of asphalt additives which extend the life of roads and parking lots. U.S. exports of similar products were $850,000 in 1975 -- 30% higher than the prior year. We have already sold our additives to customers in Ecuador. They are (name them).

Would you be interested in representing our company on a commission basis? Our prices are competitive with other U.S. suppliers; our product has several advantages as indicated in the attached product specification sheets. Include complete shipping and packing information.

We also enclose a copy of our price list for your review. Our agents receive a 10% discount based on F.O.B. factory value.

Our firm, small but growing, had sales of $1,000,000 last year. Our U.S. customers include (name them). Over the past 6 months, we have shipped to several countries (name them).

If you are interested in representing our firm, we would appreciate a reply with the following information:

1. A brief description of your firm, industries served, number of salesmen, etc.

2. Your major product lines, and the name, address, and export manager of U.S. firms.

3. Your candid assessment of the potential for our asphalt additives in Ecuador and what we will need to introduce our product successfully.

We look forward to your prompt reply.

Sincerely,

Nelson T. Joyner, Jr.
Vice President

CHAPTER X

FINANCING YOUR EXPORT ORDERS

INTRODUCTION. Up to this point, we have covered export business where payment is practically guaranteed, such as cash in advance, payment from a U.S. bank account, and letter of credit.

But you can boost your export sales by liberalizing your payment terms. You may have to do so if you want *any* business. Some customers won't buy on letter of credit terms as it ties up their working capital. Remember, it may be 30 days or longer after they pay by L/C before your goods reach their hands. In most cases, if you do liberalize your terms, you will either encounter delays in receiving payment or incur financing charges and other costs in accommodating your foreign customer's wishes.

This chapter discusses other kinds of payment terms, the role of a bank with international capabilities and how to select one.

SOURCES OF FINANCING. If your customer doesn't want to buy with a L/C, consider financing the shipment. And consider financing if you believe it will increase sales and profits. Here are sources for this financing:

1. *As the exporter, you extend credit.* This could be for a very short time—perhaps only as long as it takes your goods to reach foreign markets. In this case, no formal financing agreement is called for. Nonpayment risks can be minimized by using "drafts" (discussed below). You could finance customers for longer time periods—from 30 days to 3 years. Then the credit arrangement is formalized, and you charge interest. *Note well:* financing your customer increases risks and adds costs. Talk to a banker before you decide to finance customers.

2. *A bank extends credit.* It could be your customer's bank or your own. Many U.S. banks make loans to foreign firms to buy U.S. goods. If you extend financing, a U.S. bank may "purchase" your loan agreement—usually at a discount—but you will get immediate payment, and the bank—not you—is responsible for collecting from the customer.

3. *An international factor.* A handful of companies, known as factors, will buy your export receivables—(your invoices to your foreign buyer). You will get immediate payment and won't have to worry about collection. This is the factor's responsibility.[1] Factors, of course, will not pay you the full value of the invoice. They will buy it at a discount—ranging from 1½% to 2½% depending upon the product, the customer, and the country.

4. *Export-Import Bank of the United States.* The U.S. Government through the Export-Import Bank supports exports through dollar loans to foreign firms who agree to buy American goods.[2] Unfortunately for the small exporter, hardly any loans are made to customers for orders under $50,000. And note well: the Ex-Im Bank *does not* loan money to U.S. exporters.

   A good bank can help you if your export transactions are eligible for Ex-Im financing. Also, contact Export-Import Bank of the United States, 811 Vermont Avenue, N.W., Washington, D.C. 20571. Telephone: (202) 282-8111.

PAYMENT TERMS IN INTERNATIONAL BUSINESS. Here are the four most common ones. A bank experienced in handling export transactions can tell you which ones would be most suitable.

1. *Cash with order.* Your customer pays in advance! If he pays by check, wait until the check clears. (Many manufacturers who make expensive custom-made products require customers to send a downpayment with their order).

   If the payment is not in dollars, don't ship until the bank notifies you that the foreign currency has been converted to U.S. dollars.

2. *Letters of credit.* A method of payment using banks that minimizes risk of non-payment to the seller, and non-performance by the buyer. Typically, the exporter receives payment from his

[1]Some arrangements are "with recourse" meaning the exporter is liable for repaying the factor if the customer defaults. Then the discount will be smaller than if it were bought on a "without recourse" basis.

[2]The Export-Import Bank also guarantees customer loans made by foreign and U.S. banks.

bank after proof of shipment. Note: most letters of credit are paid upon "sight," that is, when shipping documents are presented to the bank. However, some L/C's are written for a payment delay of up to 180 days. If the L/C is confirmed and irrevocable, you still have the U.S. bank's payment guarantee.[3]

3. *Drafts.* A popular payment method in export, a "draft" is a document asking for the customer's promise to pay by a specified date. The seller initiates the draft and the buyer signs it. This form of payment generally uses a bank to help the seller collect and to help the buyer get delivery. There are several forms of drafts, depending on payment dates.

    a. *Sight draft.* The customer pays when he "sees" the draft—i.e., when he takes physical possession of the cargo. Thus, a sight draft is much like the C.O.D. used in the Unites States.

    b. *Date draft.* The customer pays on a specified date in the draft. In this case, the customer usually has the goods and has promised to pay later. Banks can follow-up to collect payment.

    c. *Time draft.* The buyer pays after a specified "time," usually 30, 60, or 90 days *after* the buyer signs the draft.

    You (the exporter) initiate the draft. Then you give it to your bank who sends it to its correspondent (or branch) bank in the customer's country with collection instructions. (Frequently a Bill of Lading or your commercial invoice will be sent with the draft. This is known as a "draft against documents"). The foreign bank notifies the customer so that he can "accept"—that is, give his promise to pay. Then the foreign bank gives the buyer the documents to take possession of the cargo. Non-payment risks are the least for "sight" drafts, particularly if important documents are withheld by the bank until payment is made.[4]

4. *Open account.* This payment term is similar to the one most used on the Unites States. Payment is made at predetermined periods and after goods have been shipped.

    Example: *The normal payment terms of many manufacturers are 30 days after the invoice date. But customers who pay in 10 days can take a 1% discount. Those who do not pay in 30 days are charged 1% per month on the payment balance.*

    If you sell on open account terms, banks are usually not involved. But exporters should watch out for two factors.

    a. The customer's financial standing. Will he pay?

    b. The customer "line of credit." You may know your customer can pay for one order, but if he orders frequently, can he pay for all the shipments? Thus, many exporters establish credit limits for each customer. If the next shipment exceeds the ceiling limit, then the exporter often demands another form of payment such as letter of credit.

    Open account is *not* recommended for unknown ot new customers. But it is the standard arrangement with long-time customers—once you are certain they pay on time. It also could be acceptable for customers in Canada and Puerto Rico—where it is easy to check on ability to pau (Open account sales are increasing in Europe).

WHICH PAYMENT TERMS DO EXPORTERS FAVOR? A Survey of some 600 U.S. exporters showed the following payment terms:

Payment Terms	*Percent Using*
Payment in Advance	7.5%
Letter of Credit	28.3%
Drafts	35.2%
Open Account	30.0%

WHAT IS BEST FOR YOU? You have two options if a customer asks you to sell on terms other than letter of credit. First, you can stay with your current terms. Or you can stick your neck out just a little bit and investigate financing—even if for only as long as it takes the shipment to reach the customer. If you do finance, remember risk of nonpayment is greater, you will incur additional expenses (bank charges), and the additional time to recover payment can hurt "cash flow."

Until now, you had no need for a bank with export business know-how. But once you begin to think of financing export shipments, you will need one. An

[3]See chapter IV for more details about Letters of Credit.

[4]Exporters report foreign banks are not always careful to get paid before giving the customer documents. Thus, there can be a risk of nonpayment.

experienced bank will be as valuable an asset as a freight forwarder.

AN INTERNATIONAL BANKER. Your regular bank may not know exports. Of some 14,000 commercial banks in the United States, only 300 have an international department. And only one-half of these really care about the needs of small- or medium-sized exporters. So you may have to "hire" an international banker! These sources can help.

1. Contact the Department of Commerce District Office. It will suggest banks in your area who regularly work with exporters.

2. Talk to your current bank. If it doesn't handle export financing, it will be doing business with a larger bank that does.[5]

3. Talk with your freight forwarder or an experienced exporter. Both do business with banks on a daily basis.

SELECTING YOUR BANK. Some banks are better able to handle the needs of new exporters. Therefore, select one with care. Here's what to look for.

1. The size of the bank's international department.

2. The number and location of its foreign branches or foreign correspondent banks.

3. The bank's international executives: do they travel often?

4. Charges for confirming a letter of credit.

5. Charges for processing drafts and collecting payment.

6. Does the bank provide buyer credit reports? Are they free or not?

7. How much customer financing does it do?

8. Its experience with U.S. Government financing programs supporting modest export transactions.

9. Does the bank have an FCIA[6] credit insurance policy?

10. Other services such as trade leads, letters of introduction to banks and customers abroad, etc.

11. Is it a friendly and courteous place?

Before selecting a bank, find out how satisified exporters who use it are.

CHECK INTO EXPORT CREDIT INSURANCE. If you do extend credit to foreign buyers, you often can minimize risks through export credit insurance. Thus, if your customer doesn't pay, your insurance will pay his bill. The Foreign Credit Insurance Association (FCIA), a U.S. Government-supported association of U.S. insurance companies, offers many types of export credit insurance. Unfortunately, new exporters or small companies cannot use them. But FCIA offers one policy that you can use: it's the Banker's Policy. A master policy goes to banks which use it to cover their customers. Banks charge a nominal amount, roughly 1% of the amount insured. About 175 banks have such a policy. They're listed on page130. Check to see if your bank has a Banker's Policy in which it purchases your export receivables. It will collect payment, and it bears the risk of nonpayment.

THE EXPORT CREDIT CHECK. If you decide to finance your customers, make sure they can pay their bills. Here are four major sources for credit information.

1. *Your bank.* If your bank does business abroad, you should be able to get a credit report. Some banks do not charge for this service. See page134 for a sample bank credit report.

2. *A commercial credit agency.* Dun and Bradstreet offer credit reports on about all foreign firms. Charges range from $15 to $100. They will take from 1 week to a month to obtain. See page ??? for a sample report. For information about foreign D & B reports, contact Dun & Bradstreet International, 99 Church Street, New York, N.Y. 10001.

3. *A World Trader's Data Report (WTDR).*[7] While primarily sold by the U.S. Department of Commerce as a check on an agent, a WTDR is excellent for credit information. It has some financial information, but it identifies other U.S. companies that do business with the WTDR firm. Contact the U.S. firms for their payment experience. Most will tell you and will expect the same from you. A WTDR costs $15 and it takes 30 days to reach you.

4. *Credit rating directories.* A few U.S. firms publish directories which give the credit rating of some firms in specific foreign countries. Check with

[5]This is called a "correspondent" relationship.
[6]Foreign Credit Insurance Association.

[7]See chapter IX for more information on WTDR's.

your library for availability. But be warned that credit ratings can change overnight, so a listing in a current directory may not reflect current conditions.

TO SUM UP. Additional export business is available if you extend credit. But it will increase risk of nonpayment and increase your costs. You can minimize risks through credit checks and covering your export transaction under a bank's credit insurance policy. Export financing, of course, will impact your cash flow. Banks (or factors) often assume credit obligation—but this adds more costs.[1]

If you are thinking of extending credit, you will need a bank with international capability—and one experienced in working with new exporters.

---

[1]For example, most exporters figure financing charges at 1% a month. Thus, a $1,000 shipment sold to a customer on a 60-day open account "costs" 2% or $20. If you have export cerdit insurance, add an additional 1%—$10 and if you have purchased a credit report, you will pay $15 more. Include costs in your prices, or else your profit could be wiped out.!

175 BANKS THAT CAN INSURE AGAINST CUSTOMER NONPAYMENT

These banks have purchased an FCIA Bankers Insurance Policy which can be used to cover new exporters with credit insurance.

ALABAMA
First National Bank of Birmingham

ARIZONA
Arizona Bank (Phoenix)
Valley National Bank of Arizona (Phoenix)

ARKANSAS
Union National Bank (Little Rock)

CALIFORNIA
Bank of America NT & SA (San Francisco)
Bank of Boston International (Los Angeles)
Bank of California (Los Angeles)
Chase Manhattan International Banking Corp. (Los Angeles)
City National Bank (Los Angeles)
Crocker-Citizens National Bank (San Francisco)
El Camino Bank (Anaheim)
First Chicago International (Los Angeles)
First National City Bank (San Francisco)
First Western Bank and Trust Co. (Los Angeles)
International Bank of Commerce (Los Angeles)
Security Pacific National Bank (Los Angeles)
Southern California First National (San Diego)
Union Bank (Los Angeles)
Wells Fargo Bank N.A. (San Francisco)

COLORADO
First National Bank of Denver
United Bank of Denver

CONNECTICUT
Connecticut Bank & Trust (Hartford)
First New Haven National Bank
Merchants Bank & Trust Co. (Norwalk)
State National Bank of Connecticut (Bridgeport)

DISTRICT OF COLUMBIA
First National Bank of Washington

FLORIDA
Bank of Boston International of Miami
Bank of Miami
Bankers Trust (Miami)
Barnett Bank of Jacksonville
Chase Manhattan (Miami)
Coral Gables First National Bank
Exchange National Bank of Tampa
First National Bank of Fort Lauderdale
First National Bank of Miami
First National City Bank (Miami)
Fort Lauderdale National Bank
International Bank of Miami
Irving Interamerican Bank (Miami)
Jacksonville National Bank
Miami National Bank
Pan American Bank of Miami
Republic National Bank of Miami (Fort Lauderdale)

GEORGIA
Citizens & Southern National Bank (Atlanta)
Fulton National Bank (Atlanta)

ILLINOIS
American Nat'l Bank & Trust Co. of Chicago
Beverly Bank (Chicago)
Central National Bank of Chicago
Crocker Mid-America International Bank (Chicago)
First National Bank of Chicago
The Northern Trust Co. (Chicago)

INDIANA
American Fletcher National Bank & Trust Co. (Indianapolis)
First Bank & Trust Co. (Indianapolis)
Indiana National Bank (Indianapolis)
Merchants National Bank & Trust Co. of Indianapolis
St. Joseph Bank & Trust Co. (South Bend)
St. Joseph Valley Bank (Elkhart)

IOWA
Merchants National Bank (Cedar Rapids)

KENTUCKY
Citizens Fidelity Bank & Trust Co. (Louisville)
First National Bank of Louisville

LOUISIANA
The Bank of New Orleans & Trust Co.
Citizens & Southern Int'l Bank of New Orleans
First National Bank of Commerce (New Orleans)
Hibernia National Bank (New Orleans)

MARYLAND
Maryland National Bank (Baltimore)
First National Bank of Maryland (Baltimore)

MASSACHUSETTS
First National Bank of Boston
Multibank Financial Corp. (Boston)
New England Merchants National Bank (Boston)
State Street Bank & Trust Co. (Boston)

MICHIGAN
Bank of the Commonwealth (Detroit)
Manufacturers National Bank of Detroit
Michigan National Bank (Grand Rapids)
National Bank of Detroit

MINNESOTA
First National Bank of Minneapolis
Northwestern National Bank of Minneapolis

MISSISSIPPI
Fidelity Bank (Jackson)

MISSOURI
Colorado Bank of Kansas City
Columbia Union National Bank & Trust Co. (Kansas City)
Commerce Bank of Kansas City
First National Bank in St. Louis
Mark Twain State Bank (St. Louis)
Mercantile Trust Co. (St. Louis)

NEBRASKA
Union Bank & Trust Co. (Lincoln)

NEW JERSEY
American National Bank & Trust of N.J. (Morristown)
Fidelity Union Trust Co. Bank (Newark)
First National State Bank of New Jersey (Newark)
First Jersey National Bank (Jersey City)
New Jersey Bank (Paterson)
Peoples Trust of New Jersey (Hackensack)

NEW YORK
Allied Bank (New York)
Bank of America (New York)
Bank of Boston International (New York)
Bank of California (New York)
Bank of Commerce (New York)
Bank Leumi Trust Co. of New York
Chemical Bank (New York)
Continental Bank International (New York)
The Country Trust Company (White Plains)
First Empire Bank (New York)
First National City Bank (New York)
Girard International Bank (New York)
Irving Trust (New York)
Lincoln First International (New York)
Marine Midland Bank (Buffalo)
Marine Midland Bank (New York)
Marine Midland Bank (Rochester)
Mellon Bank International (New York)
The Merchants Bank of New York
North Carolina National Bank (New York)
Northwestern Trust International Banking Corp. (New York)
Philadelphia International Bank (New York)
Security National Bank (New York)
Security Pacific International Bank (New York)
State Street Bank (New York)
United American Bank (New York)
United California Bank (New York)

NORTH CAROLINA
North Carolina National Bank (Charlotte)

OHIO
American Bank of Commerce (Akron)
Central National Bank of Cleveland
Central Trust Company (Cincinnati)
The Cleveland Trust Company
Huntington National Bank (Columbus)
National City Bank of Cleveland
The Ohio Citizens Trust Co. (Toledo)
The Southern Ohio Bank (Cincinnati)
Society National Bank of Cleveland
Union Commerce Bank (Cleveland)
Winters National Bank & Trust Co. (Dayton)

OREGON
The Bank of California (Portland)
First National Bank of Oregon (Portland)
United States Bank of Oregon (Portland)

PENNSYLVANIA
Central National Bank (Lancaster)
Central Penn National Bank (Philadelphia)
Fidelity Bank (Philadelphia)
First Pennsylvania (Philadelphia)
Philadelphia National Bank
Pittsburgh National Bank

PUERTO RICO
Banco Popular de Puerto Rico (San Juan)

RHODE ISLAND
Rhode Island Hospital Trust National Bank (Providence)

TENNESSEE
Commerce Union Bank (Nashville)
First American National Bank of Nashville
First National Bank of Memphis
Hamilton National Bank (Chattanooga)
National Bank of Commerce (Memphis)
Third National Bank in Nashville
Union Planter National Bank (Memphis)

TEXAS
Bank of the Southwest N.A. (Houston)
Bank of Texas (Houston)
Capital National Bank (Houston)
Continental Bank International (Houston)
Exchange Bank & Trust (Dallas)
First City National Bank (Houston)
First National Bank of Dallas
First National Bank of Fort Worth
Houston Citizens Bank & Trust
Houston National Bank
The Laredo National Bank
Texas Commerce National Bank (Houston)

VIRGINIA
Fidelity National Bank (Lynchburg)
First & Merchants National Bank (Richmond)
United Virginia Bank (Richmond)
Virginia National Bank (Norfolk)

WASHINGTON
Bank of California (Seattle)
National Bank of Commerce of Seattle

Pacific National Bank of Washington (Seattle)
Pacific National Bank of Washington (Tacoma)
Seattle First National Bank

WISCONSIN
First Wisconsin National Bank of Milwaukee
Marshall & Ilsley Bank (Milwaukee)

These banks are experienced in financing smaller export transactions under loan and loan guarantees from the Export-Import Bank of the United States.

First Wisconsin National Bank
Chemical Bank
Coral Gables First National Bank
Citizens & Southern Int'l (New Orleans)
Rhode Island Hospital Trust
Marine National Exchange Bank
Arizona Bank
First National (Boston)
Merchants National Bank
Citizens & Southern Int'l (Miami)
Bank of Boston Int'l (New York)
American National Bank & Trust (Chicago)
Industrial National (Providence)

First National Bank of Commerce
Southeast First Nt'l Bank (Miami)
Southern California First Nt'l Bank
Hartford National Bank
Bank of America (San Francisco)
Continental Illinois
Cleveland Trust
First State Bank & Trust (St. Louis)
Laredo National Bank
Beverly Bank
Central National (Cleveland)
Chase Manhattan Bank
Union Trust Co. (Stamford)

B-CRED.

FIRST NATIONAL CITY BANK

Branch/Sucursal Choluteca Honduras Date/Fecha December 15, 1975

Re: M.G.F. de Maquinaria Agricola S.A.
Avenida de Oro
Choluteca, Honduras

Character of Organization/Clase de Organización: Corporation

Founded/Fundado: 1962

Line of Business/Negocio: Agricultural Machinery Implements

Principals - Partners/Personeros - Socios: Jorge B. Oliva, President; Enrique Rivera, Vice-President; Leon Perez, Manager; Julio Hernandez, Comptroller.

Authorized Capital/Capital Autorizado: Lempiras 4MM Paid-in/Pagado:

Financial Statement as of/Balance al cierre de: 12.31.74 (000's of Lempiras)

Current Assets/Activos Corrientes: 340.565 Current Liabilities/Pasivos Corrientes: 282.311

Fixed Assets/Activos Fijos: 288.960 Deferred Liabilities/Pasivos Diferidos:

Net Worth/Patrimonio: 324.212

Including/Incluyendo:

Sales/Ventas: 843.326 Net Profits (Ganancias) Losses (Pérdidas) 72.440

Bank & Trade Information/Información Bancaria y Comercial:

According to four local banks queried, this firm maintains well managed current accounts showing average balances fluctuating from low five figures to high seven figures. Credit facilities have been extended up to high five figures, registering excellent experience. Subject enjoys an excellent financial standing and its officers are well respected in the business community.

Our Experience:

Subjects have been depositors of this Branch since 1970 and our relationship which includes the use of our borrowing facilities has been entirely satisfactory.

SAMPLE

All persons are informed that this is a strictly confidencial response to a request. It is not guaranteed and may be incomplete. Any statement on the part of this Bank, or any of its officers, as to the responsability or standing of any person, firm or corporation, or as to the value of any securities, is given as a mere matter of opinion for which no responsability, in any way, is to attach to this Bank or any of its officers furthermore. No offer or solicitation on our part with respect to the sale or purchase of any securities is intended or to be implied.

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PLEASE NOTE WHETHER NAME, BUSINESS AND STREET ADDRESS CORRESPOND WITH YOUR INQUIRY.

Dun & Bradstreet INTERNATIONAL REPORT

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VALLE ELECTRICA S A

Antonio Valle - Pres
Rafael Valle - Vice Pres
Jose Valle - Secy & Treas

CD 15 JUNE 28, 197-
WHOL RET ELEC SUPPS
(45)

MG C 1
SANTIAGO, CHILE
Calle Norte #385
P O Box 9732

STARTED: 1935
PAYMENTS: PPT
SALES: E. 2,530,630
WORTH: E. 651,920
EMPLOYS: 2

SUMMARY
CASH AND RECEIVABLES COVER CURRENT DEBT. OPERATIONS PROFITABLE.

HISTORY
Incorporated February 17, 1940. Authorized capital E. 15,000, fully paid in. Succeeds sole proprietorship of Antonio Valle, established 1935.

A Valle, born in Chile 1910. Active here all along. Well regarded. Rafael and Jose are sons of the President, 28 and 36 respectively, native born, both married. They have been active in this business their entire careers.

FINANCES
Statement of April 30, 197- (Figures in Escudos quoted at .0895 in U S Currency).

ASSETS		LIABILITIES	
Cash on hand and in banks	67,000	Accts Payable	187,730
Accts Rec	311,180	Bank Loan	120,000
Mdse	431,040	Due on mortgage	32,120
		Taxes	3,710
CURR ASSETS	809,320	CURR LIABS	343,560
Fix & Equip	117,360	Mtge on R E (Def.)	216,000
R E & Bldgs	294,030	Special Res	10,740
Prepaid expenses	1,500	Capital Stock	150,000
		Surplus	501,910
TOTALS	1,222,210	TOTALS	1,222,210

Net sales E. 253,063 from March 19[illegible] to April 30, 197-. Net profit E. 134,500. Fire insurance on real estate E. 300,000, fixtures and equipment E. 100,000.
Signed by: Antonio Valle, Pres.
Statement shows a liquid condition with current debt covered by cash and receivables alone. Volume reported steady with operations continuing profitable.
BANKING: Local depository reported account maintained for many years with balances averaging medium to high four figures. An unsecured loan granted up to low five figures, which is currently outstanding. Relationship satisfactory.

OPERATION
Wholesalers (75%) and retailers (25%) electrical supplies, such as wiring supplies, construction materials plus a small line of television and radio sets. Carries complete lines from the U S and European manufacturers. Wholesale sales on 60 day terms. All retail sales for cash. Employs 2.
LOCATION: Occupies a two-story building, maintained in good repair, in a commercial area.

PAYMENTS: (June 20, 197- (Escudos)

HIGH CREDIT	OWE	P DUE	TERMS	PAYMENTS	REMARKS
50,000	50,000		60 days	Ppt	Old acct
40,000	30,000		30/60 days	Ppt	Sold yrs
25,000	[illegible]				

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12A-21 (701027)

SECTION C

DEVELOPING AN EXPORT MOMENTUM

INTRODUCTION. Until now, your export effort has required modest resources from the new-to-export firm. Time has been minimal. There has been no foreign travel. Domestic executives can easily absorb the export paperwork and the necessary correspondence needed.

And a modest export business should result. If you have followed our suggestions there's no drain on cash flow. You can go on this way as long as you wish.

But the next stage means a plunge! It requires greater commitment of your time and money. It may require foreign travel. You will need a larger export budget and a more extensive plan. But, rewards also will be greater.

SECTION THREE is not for the firm with cash flow or product problems, or for those who do not have a senior executive who can spend time to build your export business.

CHAPTER XI

PUTTING YOUR BEST FOOT FORWARD: IN LOW-COST PROMOTIONS

INTRODUCTION. This chapter discusses how to mount a low-cost promotion effort to foreign firms. The U.S. Government will help you blow your own horn abroad with free commercial newsletters, low-cost catalog shows and special shows that are a "showcase" of U.S. products.

THE COMMERCIAL NEWSLETTER. Each month, the Department of Commerce publishes a magazine featuring U.S. products and services that are new to export. It is sent to all U.S. Foreign Service posts. Many will distribute the *Commercial Newsletter*, as it's called, to important local buyers and reference libraries. The Commerce Department actively looks for new products to include in future issues. If you are interested, an application form can be obtained at the Commerce Department District Office nearest you.

CATALOG SHOWS. The Commerce Department also has special shows of catalogs, usually around an industry or product theme (usually dovetailed into one of the 15 target industries).[1] Fifty catalog shows are held every year—mostly in developing markets. Commerce selects a representative to accompany the catalogs so questions can be answered and leads collected. These shows have pulled good results for some exhibitors.

The cost of a catalog show is nominal: $50 per exhibit.[2] A list of future catalog shows is available from the Commerce Department District Office—or from the Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230.

You will find a catalog show most effective if you already have an agent working for you in the market where the show takes place. He can come to the show and answer customer questions on the spot.

Note: A catalog exhibition can also generate potential agents. They will see your catalogs, discuss your products with the U.S. industry expert. Names of those interested are then sent to you. But remember, these shows are generally held in markets that might not be on your priority list.

[1]See Chapter 7. These are industries which the Commerce Department feels will show substantial export growth by 1980.

[2]Charges may be slightly higher to experienced exporters.

PRODUCT SHOWS. The Department of Commerce and the Department of Agriculture sponsor frequent shows abroad. There are two types: Trade Center shows and private commercial exhibitions.

1. *U.S. Trade Center shows.* Commerce operates its own trade centers in 15 key foreign commercial cities. It stages shows of U.S. goods to which prospective buyers are invited. (See below for Trade Center locations.) A typical Trade Center has six to eight shows a year, usually fitting into a "target" industry theme. For example, the U.S. Trade Center in Tokyo recently had shows on these themes: computers, printing equipment, food handling systems, marine/oceanographic equipment, and leisure apparel.

U.S. TRADE CENTERS ABROAD (where frequent product shows are held)

City	*Country*
Sydney	Australia
Vienna	Austria
Paris	France
Frankfurt	Germany
Tehran	Iran
Milan	Italy
Tokyo	Japan
Seoul	Korea
Mexico City	Mexico
Warsaw	Poland
Singapore	Singapore
Stockholm	Sweden
Taipei	Taiwan
London	United Kingdom

Participation cost is not inexpensive: $900 or more depending upon the location and the show, which usually lasts a week. But this price includes space ren-

al, booth design, and extensive preshow market development and publicity. A schedule of Trade Center exhibitions is available from the District Office of the Department of Commerce nearest you—or by writing the Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230.

Note: Participation in Trade Center events can be effective in generating interest from potential buyers. If you have an agent, you won't have to attend. A Trade Center show can also help to attract potential agents. But then you will have to attend and devote considerable time before, during, and after the show, that is, if you want to select the best agent. Prior to the show, Commerce helps to locate a prospective agent by "shaking the bushes" and it will develop a list of qualified and interested firms for you.

2. *Commercial Exhibitions.* Both Commerce and Agriculture sponsor American participation in U.S. pavilions at major international shows. They also sponsor solo exhibitions of U.S. products. An extensive promotion campaign is aimed at potential buyers before each event. About 30 shows are held every year in such well-known events as the Paris Air Show, the Hannover Fair (Germany). All exhibitions are well attended with buyers from all over the world. A schedule is available from the Commerce Department's District Offices—or by writing either the Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20230. 20250 or Bureau of International Commerce, U.S. Department of Commerce, Washington, D.C. 20230.

   The cost of participation in commercial shows is higher than Trade Center shows: $2000 to $3500, but it includes exhibition space, booth design, and preshow market development. (It's about half the price if you did it yourself.)

   Like Trade Center shows, a commercial exhibition can be an effective way to "showcase" your goods for foreign buyers. If you have a local agent, you won't have to go.[1] A commercial show can also develop potential agents. The U.S. Government can help by contacting interested firms prior to the show and it will give you details on their capabilities.

BUT NOT FOR EVERYONE! Participation in product and catalog shows is not for everyone. There may be disadvantages:

1. Some shows may be scheduled where you don't want to or can't do business.
2. Show dates in your high-priority markets may conflict with your other plans. (This applies to your local agent too.)
3. Cost could stop you. The show fee is only part of the cost. For example, if you go into a Trade Center product show, the basic show fee is $900. But you will have to pay for building your booth, catalogs and brochures, and your transportation and living expenses.

DECIDING TO SHOW YOUR WARES. Participation has advantages. But don't do so unless your agent to man uour booth. (If you are trying to select an agent, then you might want to enter.) If your participation is to be successful, you will have costs and time commitments.

1. BEFORE THE SHOW. Here are some "musts" to be done prior to the show.
   a. *Establish your objectives.* What do you want from participation? Alert Commerce Department officials in Washington on these objectives. If one is agent selection, communicate your selection criteria to Washington so Commerce can develop a list of prospects.
   b. Fill out the forms correctly. Make sure you know what's required and when.
   c. *Plan your exhibit.* You can get lots of good advice from Washington officials in charge of the overall exhibition design. They can tell you how to make it effective. Department of Commerce District Office specialists can steer you to the right individual.
   d. Make sure you have enough sales promotion material.
   e. Make sure you can give a quick "price," preferably C.I.F. to interested buyers (prepare special export price sheets). Your freight forwarder can help you with this, as he can give you shipping and insurance costs.

2. DURING THE SHOW. Here is a list of things to do at the show.
   a. Go to all exhibitor briefings.
   b. Remind show officials again of your objectives (they should know; a reminder will help).
   c. Ask for help in making local business appointments.
   d. Get the list of daily registered visitors, the key buyer list, those invited to the show, and other trade lists. You'll find them useful, but your agent will probably like the lists—"live prospects."
   e. Write a brief report on each prospect who visits your exhibit (for followup purposes).
   f. Alert show officials if you've made a sale. You'll get free publicity.

[1] However, he may only cultivate customers from his own sales territory.

3. FOLLOWUP. The biggest exhibitor mistake is failure to followup prospects. It makes future activities more difficult. Local firms hesitate to deal with exporters who fail to follow up.
   a. Stay there in the country after the show closes. You can followup face-to-face.
   b. Review show results with your agent (or your prospective agent) for his follow-up.
   c. Followup promptly. Some followup work can be done at the fair. You will be able to dictate letters, send instructions to your home office and mail transcribed material and ask that it be typed before your return.

OTHER GOVERNMENT PROMOTIONS. The U.S. Government also uses trade missions and technical sales and siminars to promote U.S. Products.

1. *Trade Missions.* Commerce organizes and leads trade missions—groups of American executives who take 2 week trips abroad to promote products on specific industries. Department of Commerce officials select product themes (based on research) and cities to visit. Mission members are recruited from U.S. firms.[4] If you go, it will help you develop sales leads. Abroad trade mission members meet with high level government officials who can be useful if the government becomes your customer.

   The fee for trade mission participation is $300 for new exporters, but mission members pay their own transportation and living costs. A mission schedule is available from the Department of Commerce's District Office. Or write: Bureau of International Commerce, Department of Commerce, Washington, D.C. 20230.

2. *Technical Sales Seminars.* Commerce also organizes groups of technically-oriented U.S. manufacturers to give sales seminars abroad. Seminar schedules are at the Commerce Department District Offices.

OTHER FORMS OF PROMOTION. In addition to the Government's promotional efforts, you can do a good deal by yourself.

1. *Personal visits.* The most effective promotion of all is personal contact between the exporter and his agents. (It's discussed in a later chapter.)

2. *Sales promotion material* such as literature, price sheets, films, film strips, premiums, etc.

3. *Advertising.* You will be surprised at how much of your U.S. domestic advertising reaches foreign buyers. U.S. business magazines have a large circulation abroad. Of course, you can advertise in trade magazines aimed strictly at international markets, and you can also advertise in local media abroad. At this early stage of your exports, it's probably not needed. But one form of advertising is highly effective: cooperative advertising. At this stage it will be feasible because you can limit it to one or two markets.

COOPERATIVE ADVERTISING½ When an exporter and his agent share the cost, it's a cooperative effort. Exporters usually agree to pay one-half the cost up to a specified limit—if the agent submits proof of local advertising. Many exporters find this an effective utilization of promotion dollars. But the exporter and his agent should agree in advance, precisely how much each will share and how it is to be spent. Most exporters do not limit cooperative advertising to magazines and newspapers. It can be used on promotions: catalogs, brochures, price sheets, service manuals using local terminology and language. One exporter includes receptions at local trade meetings in his co-op advertising program.

If you are interested in cooperative advertising, discuss it with your agent. Many have past experience with other U.S. firms and they will know what is likely to work well.

TO SUM UP. Once you learn to sell in a foreign market, hook up this effort with promotion. Your agent can advise on what works best in his market and he will often share the costs.

The U.S. Government sponsors U.S. product shows in most major markets on many product themes. Participation will generate sales prospects and help to locate agents. But promotion costs money. Budgets should be firmly established—and adhered to. Remember, promotion isn't for the firm that is the "occasional exporter."

[4]Commerce also sponsors trade missions organized by an industrial trade association or State governments.

CHAPTER XII

UP, UP AND AWAY!

INTRODUCTION. There's *no* doubt about it, travel will result in your biggest payoff. Major reasons for travel: motivating and managing your agents, and checking out new market prospects.

This chapter covers planning your trip to both old and new markets, what to do when you're there and how to follow up when you return to the States.

TRAVELING WHERE YOU HAVE AN EXPORT AGENT. Nothing replaces personal contact. Here is what you can accomplish on a market trip.

1. Cement your relationship with export agents. Nothing replaces face-to-face contact.
2. Give his key personnel on-the-spot training so they'll be more effective salesmen.
3. Iron out problems. There may be damaged merchandise, disputed invoices, inadequate or outdated sales promotion material, customer complaints, etc. Problems which would take months to solve by mail can often be handled in minutes face-to-face.
4. Make sales calls with your agents on customers and good prospects. You will bring back orders! (guaranteed!)
5. Make an on-site evaluation of your agent's performance. Learn his strengths, uncover his weaknesses—and help him with the latter.
6. Make plans for future jobs.
7. Introduce your agent to the U.S. commercial attache in his country—after all they both "work for you." He is eligible for help. You—and he—may be surprised at what can be done for him. Not long ago, the Dutch agent of one U.S. exporter was amazed when he received a list of potential instruments customers in the Netherlands. It was compiled by the U.S. commercial attache. The agent didn't know this was available. (Information you take for granted in the United States is not as "on tap" abroad.)
8. Do some on-the-spot market research and get a longer range evaluation for your firm. You may find that a simple product modification will increase sales. Or that your prices should be changed.
9. Write up a formal agreement with your agent. If you have not been to market before, you probably have only an informal arrangement.

TRAVELING TO WHERE YOU DON'T HAVE AN AGENT. An earlier chapter discussed how to select agents. The first step, a list of potential candidates, can be developed without leaving the States. The second step, narrowing the list, and the final step, selecting the final choice, can be done at home, but it's easier to make the right choice in the agent's market. Thus, reasons for travel could be:

1. To get on-the-spot market information to help you decide whether or not to sell there.
2. To add to your potential agent candidates.
3. To narrow the list.
4. To formally select an agent.

A mistake made by exporters is to rush headlong into foreign markets without advance preparation. The *Wall Street Journal* recently reported that a U.S. businessman lured to the Middle East by stories of riches awaiting U.S. suppliers, rushed over to investigate opportunities. Ten days later and $5,000 poorer, he came back to the United States without concluding any business arrangements. This exporter could have saved time and money by doing some homework prior to his spur-of-the-moment travel decision.

BEFORE YOU GO. Before visiting a market, work up specific objectives on what you hope to accomplish. If your purpose is to "check out" a market, an objective would be to come to a "go or no-go" decision. Another may be to list agents and to narrow down to the best candidate. If you already have an agent, your objective could be to give so many hours of product training, or to make so many sales calls with him. Here is a list of things to do to prepare for your trip while still in the States.

1. Get recommendations on the most productive travel time. If you have an agent, ask him. Nothing is worse than to arrive during an unforeseen holiday. (You can imagine what faces a foreigner who arrives in the United States on July 4th.)

2. Review your files of actual impending business in the foreign country. A sales call to discuss a pending proposal may "sew up" a sale. Review past inquiries (if you've kept them).

3. Work with a travel agent on the best way to travel and where to stay. They know the special fares available, and travel documents you'll need.

4. If you have a foreign agent, ask his recommendations on what you should do in his market. He'll want you to see his best customers.

5. *Set your budget.* Foreign travel is expensive. For example, good hotels start at $45 in Europe; $35 in Brazil; and $50 in Japan.

6. Make application—well in advance—for the necessary travel documents. You will need:

   a. *A U.S. passport.* Most travel agents can help you get one—or you can get information and an application at your post office.

   b. Some foreign countries require *entry visas.* Your travel agent can advise if one's needed and be helpful in applying for one.

   c. *Immunization.* A good travel agent can tell you what shots are required.

7. Have your travel agent make all airline and hotel reservations *well in advance.*[1] Good hotels are booked up in some countries, particularly in the Middle East. It is better to be told "no room at the inn" weeks in advance than at 11 p.m. on the night of your arrival.

8. Let your agent know as soon as you have firm reservations. He will meet you at the airport.

9. Before you depart, do your homework on market conditions and trends. If you are going to appoint an agent, narrow your choice to the best two or three candidates prior to your departure, and write them in advance.[1]

10. Carry the address and telephone number of American Embassies, Consulates, and Trade Show Centers.

ONCE YOU'VE ARRIVED. If you have an agent, spend your time with him. Introduce him to the U.S. commercial attache if he doesn't know about local U.S. Government help. If you are in a country where you don't have an agent, you should start with an appointment at the U.S. Embassy, Consulate, or Trade Center.

Brief the commercial attache about your trip objectives, your products, and other information such as typical customers, etc. See page 142 on the services you can expect from him.

[1]Chapter IX discusses how to do this.

ALERT THE FOREIGN SERVICE POST PRIOR TO YOUR ARRIVAL

So many U.S. business executives cancel or change their travel plans that commercial attaches won't make appointments until you arrive. Thus, if you do write in advance—or alert them through the Commerce Department's District Office—your letter will be set aside until your actual arrival.

ADDITIONAL SOURCES FOR POTENTIAL AGENTS. Your trip will help you add to the list of prospective agents you may already have in the United States. Here are additional sources:

1. Prospective customers can give you suggestions. They buy from many firms, and know both "good" and "bad" local agents.
2. The foreign branch or correspondent of your U.S. bank. Prior to your departure, ask your bank to write you a letter of introduction to its foreign branch or local correspondent bank.
3. Chambers of Commerce; Trade Associations.

FINALIZING YOUR SELECTION. Leave final appointment of your agent until after a personal meeting.[2] And if your trip's main purpose is to appoint one, make your selection before you go back home—thus you will have time to work with him. Too many exporters depart without "signing" the agent and thus lose marketing momentum. The increase of their own workload back home often hinders a quick decision, and so the agent prospect loses interest.

YOUR AGENCY CONTRACT (OR AGREEMENT). A formal arrangement is both a legal and marketing document. It is akin to an insurance policy—hopefully you won't need it, but it's nice to have in emergencies! It is a serious matter if your agent fails to exploit the market—and prevents you from giving the territory to someone more effective. Agreements should contain clauses which define targets, permitting you to cancel if they are unmet. Information on agent contracts are available from:

1. Department of Commerce District Offices
2. Experienced exporters.

FOLLOW UP YOUR TRIP. If your trip works out well, you will have many things to do when you return to the States, ranging from a "thank you" letter for local entertaining to working up of sales quotations. Prompt and effective followup maintains momentum.

[2]As discussed in an earlier chapter, it is certainly possible to come to an informal arrangement without a personal visit.

Many exporters advise starting your follow up while you are still in the market. Thank you letters can be dictated in your hotel. Follow-up instructions can be mailed—or telephoned. Some exporters always schedule a few days at a resort prior to their return to unwind and complete all reports. (Business travel abroad is hard work!) And they try to catch up on their home life before tackling their work backlog.

TWENTY WAYS IN WHICH U.S. GOVERNMENT OFFICIALS ABROAD CAN HELP YOU (AND YOUR AGENT) DEVELOP BUSINESS

The U.S. Government maintains Consulates or Embassies—our Foreign Service posts—in every important commercial city abroad. They are staffed with commercial experts—called commercial attaches or counselors. In some cities, the U.S. Government operates its own Trade Centers. Here are free services when you travel. And your foreign agent is eligible for most of these as well!

SERVICES FROM FOREIGN SERVICE POSTS (The Commercial Attache)

1. They can brief on current market trends.
2. They are familiar with local sales patterns.
3. They can help identify tariff and nontariff barriers.
4. They can help identify important buyers and agencies. For example, most Foreign Service posts have commercial libraries with local trade directories on hand.
5. They have copies of WTDR on most important businesses in their country.
6. They can help narrow your list of prospective agents.
7. They can make appointments with prospective agents, customers. (They know many personally.)
8. They can setup appointments with key government officials.
9. They can suggest local law firms.
10. They can suggest local marketing research firms.
11. They can suggest local interpreters or translators.
12. They can advise on local business practices.
13. They know the best restaurants for business entertaining.

SERVICES AVAILABLE FROM TRADE CENTER MANAGERS

1. Conference rooms are available at Trade Centers.
2. Exhibition space is available for "between show" promotions.
3. Window space is available for displays on your product.
4. Copies of in-depth market research will be on file.
5. Special trade lists: some may be lists of visitors to recent trade center shows; others may be of important local firms and key industries.
6. General advice on the market.
7. Specialized assistance to your agent.

CHAPTER XIII

A FINAL NOTE

INTRODUCTION. This handbook illustrates only the tip of the export iceberg. It will help you on your way without requiring large sums of money, or requiring specialized personnel.

But development of a thriving in-house[1] export business will take money. You will have to hire employees who are specialists in selling abroad and handling export paperwork. Your initial export efforts will help finance this expansion.

Hopefully, this handbook has started you on the right track.

This chapter will present a few further ideas.

FOR YOUR INFORMATION. Here are some ideas for you to consider.

1. Join a world trade club. Exporters in key cities have formed clubs. They usually hold monthly luncheon or dinner meetings. The Commerce Department's District Office or your local Chamber of Commerce can put you in touch with their clubs.
2. Review your export activities frequently. Compare results with objectives. Adjust your tactics or strategy to meet new conditions.
3. Make sure uour recordkeeping is adequate export correspondence and shipments. And watch yodr costs.
4. Update your export plan, and make it more comprehensive, as your business grows.

A MODEST EXPORT LIBRARY. Several publications will help you. Ask an experienced exporter for advice. Here is a start.

1. Introduction to exporting. These publications supplement this handbook.

   A Basic Guide to Export. Prepared by the Department of Commerce to give information on getting started in exporting. Available ($.90) from Superintendent of Documents; Government Printing Office; Washington, D.C. 20402.

   Export Marketing for Smaller Firms. Prepared by the Small Business Administration (SBA) as a guide in selecting the best foreign markets. Available ($.60) from Superintendent of Documents; Government Printing Office; Washington, D.C. 20402.

   Principles and Techniques in Exporting. Introduction to setting up an export department. Available ($12.50) from International Trade Club of Chicago; 36 South Wabash Avenue; Chicago, Ill. 60603.

   What Do I Do Now? A primer on preparing quotations, shipments, collecting payment, etc. Available ($5.00) from Normal M. Sewall; 500 South Nova Road; Ormond Beach, Fla. 32074.

   International Marketing. A basic textbook on marketing written by Roland Kramer. Covers all functions encountered in exporting. Available ($12.50) from Southwest Publishing Company; 5101 Madison Road; Cincinnati, Ohio 45227.

2. Shipping/Documentation/Freight Forwarding. These references will help the exporter who has shipments to many different countries.

   Exporter's Encyclopedia. Published annually. Covers requirements in foreign markets, identifies sources for assistance. Available ($180) from Dun and Bradstreet International; 99 Church Street; New York, N.Y. 10007.

   Reference Book for World Traders. A world-wide listing of organizations and firms supporting exporters. Gives shipping requirements for 184 foreign countries. Two volume loose leaf with monthly supplements. Available ($331.95) from Croner Publications, Inc.; Queen's Village, N.Y. 11428.

3. Government support and assistance. If you know where to go and whom to contact, there's a wealth of information available from the U.S. Government.

   Doing Business Abroad: Joyner's Guide to Official Washington. Published annually, describes government services, identifies experts and specialists for every aspect of exporting. Available ($144) from Rockville Consulting Group, Inc.; 7926 Jones Branch Drive; McLean, Va. 22101.

[1] Use of a U.S.-based export management company is another way to develop a thriving export business. This method is discussed in PART THREE.

A FINAL WORD. Exporting can bring profits to minority-owned firms willing to give it the same energetic attention that went into developing their U.S. business. This handbook has explained:

1. How firms can respond to foreign inquiries; how to recognize the "serious" inquiry; how to make an export price quotation. Hopefully, firms can generate additional business at little or no additional expense.
2. Describes how to increase inquiries from foreign firms. This adds modest cost, but will not prove a burden on a firm's personnel.
3. Describes how export shipments take place and how payments are made. The handbook describes how to eliminate export headaches through use of an international freight forwarder. The handbook suggests how to minimize nonpayment—even when the new exporter sells on credit to unknown foreign buyers.
4. Describes how to organize a more serious effort in a foreign market. It gives tips on how to identify top markets, minimum support requirements needed, and how to select a distributor. (Up to this point, the firm has not had to hire specialized personnel.)
5. Describes how to maintain momentum in a market by foreign travel and special promotions. At this point, export development begins to become more expensive—and requires a greater commitment of time and money.

Firms that have not explored *all* opportunities for selling to export buyers in the United States, may wish to read PART ONE of this handbook: Exporting in Your Own Back Yard. It identifies the important segments of the U.S.-for-export market.

And those firms who do not have the time, personnel or money to build their own export business will find PART THREE useful. It describes export management companies, and how they can develop a substantial export business at very little cost to manufacturers.

PART THREE

HOW TO FIND AND USE AN EXPORT MANAGEMENT COMPANY

PART THREE presents an alternative to direct exporting through the use of an export management company (EMC). This approach requires limited use of a firm's time and resources. One advantage cited for use of an EMC is that it gives the firm access to instant foreign market knowledge and export know-how.

The following chapters discuss the role of an EMC; the pros and cons of its use; selection of an EMC; and suggestions for developing an effective relationship with an EMC.

CHAPTER 1

WHAT'S AN EXPORT MANAGEMENT COMPANY (EMC)?

ARE YOU SO BUSY? Can you handle the specialized details of export? Do you have the money or personnel to develop the U.S.-for-export market[1] Or to sell directly to foreign customers[2] Or are you so busy with your U.S. customers that you can't spare the time to develop an export business?

If the answer to these four questions is "No," then do as over 5,000 small (and even some large) manufacturers have done: turn over the job of building an export business to a specialized export sales firm called an Export Management Company (EMC).[3]

You will have very few out-of-pocket costs. Most EMC's will pay you either cash with their order, or pay you on whatever terms you sell your best U.S. customers.

WHO SHOULD USE AN EMC? All manufacturers without export experience should consider an EMC.

Example: *Because they hadn't the time, Sporlan Valve Company, a leading manufacturer of refrigeration components, decided to let an EMC develop exports. Immediate sales resulted, and now exports account for a satisfactory portion of Sporlan's total business.*

Even sophisticated exporting manufacturers may also want to consider using an Export Management Company for selected products for certain foreign markets.

Example: *A large New Jersey based manufacturer of electrical components has its own export department, but it uses an EMC for exports to the Middle East.*

WHAT'S AN EXPORT MANAGEMENT COMPANY? An EMC is an independent firm which, in effect, acts as the exclusive sales department for non-competing manufacturers. It functions in foreign markets just as a sales representative or exclusive wholesaler functions for a manufacturer in the U.S. market. An EMC usually has a formal agreement with manufacturers to "manage" their "exports." Sometimes EMC's will represent all of a manufacturer's product line, but not always. The EMC generally receives exclusive rights to sell in all foreign markets, but, again, not always.

Some EMC's Act as an Agent. The EMC solicits orders from foreign customers, but in the name of the manufacturer (whom the EMC often calls "the principal" or "the factory"). The EMC helps the manufacturer with the details of the export transaction, but invoicing is done in the name of the manufacturer. The manufacturer bears the risk of nonpayment, and may be asked to extend credit to the customer. "Agent" EMC's are paid a commission on the export sale. The EMC may suggest an export price, but his principal has the final say, both on price and on whether or not to accept the order.

Example: *Ballagh and Thrall, a leading Philadelphia EMC, operates this way with many of its principals. It even uses factory letterheads when corresponding with foreign customers. Foreign customers may not know they are dealing with a separate firm.*

Other EMC's Act as a Distributor. More frequently, EMC's operate on a "buy-sell" basis. They buy from their manufacturers at a set price, and resell to foreign customers. However, they market abroad in the name of their manufacturers.

Example: *EMEC, a Miami-based export management company, has exclusive export sales agreements with 30 manufacturers of scientific instruments. When orders are received, EMEC buys from their principals and resells to the foreign customer. EMEC invoices the customer, extends credit (if necessary), and bears the risk of nonpayment. EMEC pays its manufacturers on the same basis as their U.S. customers.*

NOTE WELL: In an EMC buy-sell arrangement, the manufacturer sometimes has no control over the EMC's prices, and he may not know who his customers are. However, more and more EMC's, even on a buy-sell arrangement, work closely with their principals on both pricing and customer relations. This is particularly true if the

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[1]Selling to the U.S.-for-export market is described in PART ONE of this handbook, "Exporting in Your Own Backyard."

[2]See PART TWO of this handbook, "Developing Your Own Export Expertise."

[3]These firms are sometimes called "Combination Export Managers" as well.

manufacturer's products are technical and call for special servicing and/or installation, or product adaptation to meet special customer's needs.

Manufacturers and EMC's also work closely on pricing and foreign customer relations in order to "sew-up" export sales.

EMC'S COME IN ALL SHAPES AND SIZES. No matter what you make, one or more of the 600 to 1,000 Export Management Companies in the United States is capable of handling your exports. But they are not all alike.

Size. Some EMC's are relatively large. They will handle lines from as many as 50 to 100 U.S. manufacturers, cutting across a wide range of industries, and export to most world markets. Their annual sales may be as high as $50 million.

Example: *J.D. Marshall International, headquartered in Skokie, Ill., exports products ranging from electric motors and controls to construction machinery for many U.S. manufacturers.*

Other EMC's are smaller and will have a few carefully selected principals. Their annual sales will range from $500,000 to $5 million.

Example: *Lonor St. Germaine is a New Jersey EMC which represents several carefully chosen manufacturers.*

Degree of Specialization. Some EMC's specialize in certain fields: e.g., refrigeration.

Example: *Laster International, Inc., a New York City EMC, handles pleasure boats and marine accessories.*

On the other hand, some EMC's handle a broad line of products to many industries.

Example: *Singer Products, another New York City EMC, sells communication, automotive, and industrial equipment as well as consumer and audio products.*

Geographic Specialization. The majority of EMC's sell to all (or practically all) foreign markets. Others concentrate on a particular region or country.

Example: *Middle East Traders, Inc., an EMC located in Washington, D.C., specializes in sales to the Middle East.*

Corporate Form. Most EMC's are independent businesses. However, a few large corporations have established EMC's as subsidiaries.

Example: *Kaiser Trading is a wholly owned subsidiary of Kaiser Aluminum and Chemical Corporation. It handles exports of Kaiser divisions as well as those from other producers.*

Activities. EMC's often do not limit themselves to just representing U.S. factories. Some may be export buyers on a contract basis for foreign firms. They will buy specific U.S. goods at the request of foreign firms or governments. Several EMC's maintain their own overseas sales offices in important markets.

Example: *The Auriema International Group, Inc., has a New York City-based EMC, plus branch companies in several markets. They sell Auriema's EMC lines, but some of these offices also act as agents for other U.S. manufacturers.*

HOW AN EMC EXPORTS. Export Management Companies usually have long-established sales networks abroad. Some such as Lonor St. Germaine have even established foreign sales and warehousing subsidiaries. But more commonly, EMC's appoint export agents, or representatives, and networks of exclusive distributors and dealers in each of the foreign markets in which they sell.

EMC's are experienced in all facets of exporting: foreign travel, correspondence with foreign agents, customers, and prospects. Here are the typical strengths of an EMC.

1. An ability to handle detail. EMC's have the know-how to answer inquiries, prepare quotations, enter orders, and handle shipping and payment details. They are export professionals. It is their business. The lifeblood of an EMC is active contact with overseas firms.
2. An ability to establish a strong overseas distribution system. They have the know-how to select agents and distributors and to back them up. And they know when to make an agent change.
3. They are experts on business conditions abroad. EMC executives travel for first-hand experience. Even at the home office, they constantly appraise market conditions and sales opportunities.
4. Their profits are based on how much they sell. Thus, they're motivated to do a good job.

BUT EMC'S HAVE SOME LIMITATIONS. Export Management Companies aren't successful for all.

1. EMC's, for the most part, are relatively small, and may have limited financial resources. Thus, some may not be able to stock your products, or to offer extended in-house financing to foreign customers.
2. EMC's focus their efforts on those product lines that bring them the most profitable business. New Lines, or those with limited potential, may be overlooked.
3. Most EMC's do not sell to Canada. Many of their principals consider Canada a domestic market. Yet Canada is the best potential market for many U.S. products.
4. With EMC's, manufacturers relinquish some degree of control over their export effort. EMC's

are independent businesses. When an EMC acts on a buy-sell basis, factories sometimes have no control over who buys their products, or the selling price, the degree of promotion, etc.

WHAT DOES AN EMC CHARGE? Their charges to you vary depending upon your product, the degree of promotion required, and the EMC's method of operation.

1. EMC's operating on a commission basis. If an EMC acts on a commission basis, it will usually want one that equals your best domestic commission. This might range from 10% for consumer goods to 15% or more for industrial products.
2. Distributors. EMC's that function on a buy-sell basis will ask for your best U.S. discount *plus* an extra discount. An EMC exporting high technology electronics says he needs a minimum of 15% beyond the manufacturer's best U.S. discount. Many EMC's that do accept the manufacturer's best U.S. price will usually have to mark up the product more than your U.S. distributor in order to make a profit.
3. Other charges. In addition to commissions of discounts, an EMC may charge for other items. Some EMC's will ask for "special events" contributions. A New York City EMC asks its factories to share overseas trade show costs on a 50-50 basis. In some cases, on overseas trade shows, the cost split is ⅓-⅓-⅓ as the foreign agent also contributes. Other EMC's require a contribution for advertising and other promotional activities, usually on a shared basis. A Miami EMC looks for factory contributions equal to the amount the factory spends in the United States for an equivalent level of sales. And the EMC matches this contribution with its own funds.

A few EMC's ask for a monthly retainer. One says: "We only do this when we promote heavily in order to establish a new line. It's unusual for the well-established EMC to ask for a retainer for other reasons.

ARE THE EXTRA DISCOUNTS JUSTIFIED? Some manufacturers feel EMC services are not worth the extra discount they get. But remember, an EMC has many costs that even domestic distributors do not have. Some of these:

1. Commissions or special discounts to their foreign agents.
2. The cost of running an export business: specialized personnel; telephone, telex, and cable charges; postage.
3. Promotion costs, if not shared with their factories.
4. Costs for quoting, entering orders, the considerable export paperwork, etc.
5. Cost of foreign travel. (Most EMC's travel extensively.)

EMC's claim, for example, that they receive little or no benefit from their factories' domestic promotion or trade show expenses. Therefore, they want lower prices—as the EMC will be responsible for export promotion and special expenses.

TO SUM UP. Many U.S. manufacturers have found they can develop a profitable export business without their own built-in export department through use of an export Management Company (EMC). And most EMC's will pay you on the same basis as your best domestic customers, thus minimizing cash-flow problems. No matter what your goods are, you will find an EMC capable of handling your exports. EMC's come in many forms and shapes. While they ask for an extra commission or a discount greater than that normally given to U.S. representatives and distributors, their requests are often justified because of the greater costs of doing business abroad.

CHAPTER II

EMC'S: SHOULD YOU USE ONE?

AN EMC COULD BUILD YOUR EXPORT BUSINESS. One or more EMC, has the experience and capability to handle your products. But should you use one? This chapter lists the pros and cons of using an Export Management Company, and how to find them.

ADVANTAGES TO USING AN EMC. Here are four:

1. Export sales come quicker. EMC's already have overseas agents, distributors, and customers in place. If your product complements some that an EMC handles, you may get immediate sales. If you were to set up your own export sales effort, it would take much longer to generate export business.
2. Your out-of-pocket expenses will be less. If you go it alone, you will have out-of-pocket expenses in handling export transactions, in identifying your best foreign markets, and in setting up distribution in one or more countries. These expenses will be eliminated (or substantially reduced) by using an EMC. The only "cost" is the extra discount and agreed-upon sharing of other expenses.
3. An EMC has the time. Even if you do have the financial resources for an in-house export effort, you may not have the time for it due to other priorities. An EMC may be the answer, because 100% of its time is spent in developing and maintaining exports.
4. You will learn from a pro! There is no better export practitioner than EMC. If you want to have your own export department eventually, then prepare yourself by seeing how an EMC operates.[1]

THERE ARE DISADVANTAGES TOO. In your U.S. marketing efforts, if you've faced the choice of distributor versus company salesman, you will understand some of the possible disadvantages in using an EMC.

1. The biggest disadvantage could be loss of control over sales. You are dependent on the EMC. You take its word that it's doing the best job possible. However, you can overcome this by overseeing its efforts, and asking for frequent performance reviews.
2. Some of the EMC's foreign agents may already handle competitive products, and won't want (or are unable) to change. This will restrict the EMC's initial efforts to launch your product. But most EMC's either have additional overseas contacts, or can quickly develop them.
3. Some foreign buyers may be reluctant to deal with an EMC. They prefer to deal directly with the manufacturer. They'll equate dealing with a middleman (the EMC) with "higher prices." However, some manufacturers who use EMC's insist that the overseas price be the same as the domestic one. (Of course, when export shipping costs are added, the overseas customer's total cost for a U.S. product is usually higher than what a U.S.-based customer might pay.)
4. Your products may not be competitive abroad if you sell on the basis of your U.S. prices. The EMC is a middleman. It adds costs. If you are in a competitive industry, the cost of using an EMC may make you noncompetitive. Or if you are using an EMC on a buy-sell relationship, its markup on prices could put you in noncompetitive positions.
5. Your products may be lost among others that the EMC sells. Large EMC's particularly have well-established "bread and butter" lines. These may get the lion's share of the firm's sales effort.

FINDING AN EMC. Finding an EMC that can handle your products is not as easy as it should be. EMC's tend to be very independent. They don't readily band together nor do they generate much publicity about themselves. Thus, EMC's based in New York may not be well known to manufacturers in Chicago or elsewhere outside the New York area. But with some diligence, you'll be able to locate an EMC capable of handling your products.

Our approach is first to develop a list of several EMC's who have experience with your product or complementary ones. Then narrow the list to one or two. And remember: EMC's are constantly on the lookout for new lines, but they are selective. They don't want to waste time on a line that won't sell, or with a firm that can't give them backup support. Therefore, in the final analysis, the EMC may select you, not vice versa.

[1] EMC's sometimes lose their principals when they do too good a job in building their export business since the principal decides to build his own export department.

YOUR BEST SOURCES. There are several regional associations of Export Management Companies. The most active groups are listed below. These regional associations have banded together to form a national federation of export management companies. Your top choice for locating an EMC are the regional associations and the national federation.

The Regional Associations. You'll have two reasons to contact them.

1. Write each association about your interest in an EMC. Attach a few product leaflets. The association secretary will circulate your inquiry among its members. Those interested (hopefully) will contact you.
2. Also ask for membership lists. Some lists are better developed than others, and they identify member firms and indicate their area of specialization. Thus, you can contact firms of potential interest on your own.

The National Federation of Export Management Companies (FEMCO). By writing to FEMCO, your request may be published in their newsletter which circulates to all associations and their members.

See page 153 for a sample letter to an EMC association or to FEMCO.

OTHER SOURCES. Not all EMC's are members of associations. Others in the export "community" can suggest potential EMC's. These sources include:

1. Your trade association. Many trade groups have EMC's as active members, or your association may know which EMC's are experienced in exporting products similar to yours.
2. Trade publications. Those in your industry, particularly the marketing magazines, will know the EMC's in your product field. There are also specialized export trade publications. Two of the more popular ones are *Export*, 386 Park Avenue South; New York, N.Y. 10016. The second: *Reportero Industrial*, 10 Cutter Mill Road, Great Neck, N.Y. 11021.
3. The U.S. Department of Commerce District Offices. They are very familiar with EMC's in their areas, and gladly will give you names. But the best EMC for you may be located in another part of the country and unknown to the district office nearest you.[2]
4. Washington officials familiar with EMC's. Both the Department of Commerce and the U.S. Department of Agriculture are knowledgeable on EMC's and may be able to help you develop a list.

[2]You do not need an EMC in the same city or even close by. It's more important to find an EMC that knows your field.

THESE ARE THE MOST ACTIVE ASSOCIATIONS OF EXPORT MANAGEMENT COMPANIES

The Association of New England
Export Management Companies
P.O. Box 5
Moodus, Conn. 06469
(203) 873-8968

Export Managers Association of
Southern California
1537 Pontius Avenue
Los Angeles, Calif. 90025
(213) 479-3911

National Association of Export
Management Companies, Inc.
65 Liberty Street
New York, N.Y. 10005
(212) 766-1343

Overseas Sales and Marketing
Association of America, Inc.
P.O. Box 45446
Chicago, Ill. 60645
(312) 583-6060

Pacific Northwest Association of
Export Managers
5316 S.W. Westgate Drive
Portland, Oreg. 97211
(503) 292-9219

National Federation of Export Management Companies (FEMCO)
65 Liberty Street
New York, N.Y. 10005
(212) 766-1343
(This is an association of EMC associations)

Type of Goods	*Contact*
Agricultural Products	Foreign Agricultural Service U.S. Department of Agriculture Washington, D.C. 20250
Manufactured Products	Bureau of International Commerce U.S. Department of Commerce Washington, D.C. 20230

5. *Others in the export "community."* Banks, freight forwarders, and experienced exporters can suggest EMC's.
6. *Directory of U.S. Export Management Companies.* The U.S. Department of Commerce has published a list of export management firms. Unfortunately it has many firms that are not truly export management firms, but are export merchants. It lists firms by area of specialization so it's still useful. It is available for 75 cents from the Superintendent of Documents; Government Printing Office; Washington, D.C. 20402.
7. *Food and Agriculture Directory.* The Foreign Agricultural Service of the U.S. Department of Agriculture publishes a comprehensive guide to export management companies who specialize in food, farm, and dairy products. For a free copy, contact: Foreign Agricultural Service; U.S. Department of Agriculture, Washington, D.C. 20250.

CONTACTING EXPORT MANAGEMENT COMPANIES. Once you have a list, narrow it to no more than three EMC's. A letter plus a followup telephone call and perhaps a personal visit can help you to narrow your list quickly.

Here are some key points in your initial letter to the EMC's.

1. Make known your interest in an Export Management Company.
2. Describe your products. Enclose catalogs and price sheets. NOTE: if your catalog is not up-to-par, do not send it. It will create a bad image.
3. Identify your important U.S. market segments and list typical customers.
4. Describe your company. Indicate any previous export experience—or if you have had inquiries from abroad.
5. Ask about the EMC's activities. In particular, ask for a description of his firm, how he is organized to export; lines handled; and principals he represents.

If the EMC is interested, you'll get a quick reply or a telephone call. See page 154 for a sample letter to an EMC.

WHILE YOU'RE LOOKING FOR AN EMC, IT MAY BE LOOKING FOR YOU! Most Export Management Companies are constantly on the lookout for new profitable lines. One reason: if they do a top sales job for their manufacturers, they often set up an in-house export department. EMC executives frequently visit trade exhibitions to look for new products. They also use direct mail. That's why it's important to list your firm and its products in the appropriate Buyer Guide Product Directories.[1]

TO SUM UP. An EMC offers many advantages to the firm that wants exports. While there are disadvantages, most can be overcome. However, finding an EMC will take time. The 600 to 1,000 EMC's aren't easily identifiable. But you can come up with a list of several firms that are experienced in exporting a similar product to your own.

[1]See PART ONE for the importance of Buyer Guide Directories and how to get listed.

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(Sample Letter to an EMC Association)

National Federation of Export
Management Companies, Inc.
65 Liberty Street
New York, N.Y. 10005

Gentlemen:

Your Company, Inc., markets a line of asphalt additives. These additives extend the life of asphalt surfaces such as highways and parking lots, and we feel they have applications in foreign markets. We have received inquiries from firms in Canada, Korea, and the Middle East.

We are seeking an Export Management Company to help build our export business. We would appreciate your informing Export Management Companies in your associations of our interest. We would also like any list of EMC's with experience handling related products.

YCI, founded in 1973, has sales of $1.3 million. Further details are given in the attached brochure outlining our capabilities. Our major customers include highway contractors such as the XYZ Company, and state highway agencies.

Don't hesitate to telephone if you need further details. We look forward to obtaining names of potential EMC's.

Sincerely,

N. T. Joyner, Jr.
President

YOUR COMPANY, INC.
111 MAIN STREET
HOMETOWN, VIRGINIA 22101
703/821-1860

(Sample Letter to an EMC)

EMC, Inc.
World Trade Center
Miami, Florida 33165

Gentlemen:

Your Company, Inc., markets a line of asphalt additives which extend the life of asphalt surfaces such as highways and parking lots. The attached catalog and specification sheets give detailed information about our products. Our two most important market segments are highway contractors and state highway agencies. Our major customers include (name them).

We are seeking an Export Management Company to handle exports. We believe there is a growing international market. We have received inquiries from firms in (name foreign countries).

YCI, founded in 1973, has sales of $1.3 million. Further details are given in the attached brochure outlining our capabilities.

We realize that developing an export business takes hard work, and we are prepared to support our Export Management Company. If you are interested in handling our exports, we would appreciate your response with the following information:

1. A brief description of your firm, its experience, and capabilities.

2. Major product lines exported, and manufacturers you represent.

3. Major industries served, and major markets.

Don't hesitate to telephone if you need further details. We look forward to your prompt reply.

Sincerely,

N. T. Joyner, Jr.
President

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CHAPTER III

SELECTING AN EMC

SUCCESSFUL EMC'S SELECT THEIR PRINCIPALS CAREFULLY. And you should do the same! If you want to end up with an EMC that will do a good job for you, you must first narrow your choice to one or two and then "sell" your product's profit potential.

NARROWING YOUR LIST. Here's what you should be finding out about EMC's on your list.

1. Are the EMC's other product lines compatible with yours?
2. Which manufacturers does it represent? And for how long? (Eliminate any EMC who has your competition.)
3. What are the EMC's sales figures for these firms?
4. Who will actually sell your products? Unless they are very small, most EMC's have different sales managers for different lines. Ask him how often he travels, find out his sales and export experience.
5. What method does the EMC favor in dealing with manufacturers? What kind of pricing, financial support, etc., will normally be requested?
6. What are the EMC's major foreign markets? In particular, ask about Canada, Puerto Rico, and Mexico. Most EMC's exclude Canada—the top market for U.S. exports.

WHERE TO GET THE INFORMATION. Here's how to develop background information on prospective EMC's.

1. The EMC itself. Replies to your letters should include much information, or you'll get it through a followup telephone call.
2. Talk to the EMC principals. A good EMC will give you references. Be wary of any that hesitate or won't. Ask the principals about the EMC's strengths and weaknesses from their viewpoint. A cardinal rule: never select an EMC without checking at least two of his manufacturers.
3. Other sources. Your bank can get you a credit report on prospective EMC's. Also, contact the Commerce Department District Office in the city or state where the EMC has his headquarters.

WHAT THE EMC WANTS TO KNOW. Before he takes you on, the EMC will make sure that it won't be a waste of his time. Therefore, he'll check your product and your firm's reputation. Here are the questions he will ask.

1. Will your products sell abroad? Some EMC's that specialize in your product area will have an immediate reaction as to its foreign potential. Others will send your product catalogs and prices to their foreign agents or distributors and ask for their opinion.
2. Will you support the EMC's efforts? The EMC needs to know that you will meet shipping deadlines and fill orders promptly, that you will back up his sales efforts with adequate promotional material, and that you will make emergency shipments, if required.
3. How you market in the United States.
4. References. An EMC may ask for lists of your customers and suppliers. Just as you will want to check his references, he'll want to check yours.

NEGOTIATING AN ARRANGEMENT. If an EMC is interested in selling your product, here are some key items for a face-to-face meeting.

1. At what price (or commission) do you sell your product? An EMC *probably* will ask for a higher price discount or commission rate. Discuss prices thoroughly. Here are three points.
   a. The EMC may not need quite as large a "break" as he has indicated.
   b. The EMC may be able to sell at a higher price than what you get in the U.S. market. Thus, you get what you need; the EMC gets what he needs.
   c. You may be able to meet his requests if a cost analysis indicates you can still make a profit. But don't give an additional discount if it means that you are going to lose money!
2. Sales teritories. The Majority of EMC's want exclusive rights to sell for you in all markets, except the United States and Canada, probably. Most manufacturers consider Canada a domestic market; therefore, EMC's have not established distribution there. Make sure to discuss the U.S.-for-export market with him.

a. Will the EMC or you be responsible for selling to U.S.-based export buyers?

b. What are your obligations to the EMC if you sell a U.S. customer whom you know is buying for export?

(And don't forget—some manufacturers use more than one EMC. For example, one for Europe; another for Latin America; and another for the Middle East.)

3. Length of agreement. Most likely, EMC's will ask for a 2 to 3 year exclusive arrangement.

4. Exclusions. If you already sell to the U.S.-for-export market, you may want to exclude these sales. (However, most EMC sales contracts specify that they handle these sales.) Or if you have an export business with a few old customers on a direct basis, you may want to exclude these from an EMC arrangement.

5. The EMC's obligations. Tie down the EMC on his obligations to you. For example, what kind of promotion will he do for your products? How much travel on your behalf? Will the EMC give you sales objectives and projections so you can measure performance?

6. Your obligations. What does the EMC expect from you? Will you need to supply samples? If so, how many? Will your product require special adaptations? (For example, 60-cycle electrical appliances won't operate in most world markets. They need to be modified for 50-cycle.) And does the EMC expect you to contribute money, either for specific activities or on a retainer basis, to help finance the product introduction?

FORMAL OF INFORMAL ARRANGEMENT? If you both agree to a relationship a trial of 6 months or longer may be a better idea than a formal 3 year arrangement. You can get to know each other, but there are disadvantages. The EMC may not be as willing to devote its resources to launching your product. Thus, a formal arrangement is then advisable. All good EMC's will have standard contract forms. Ask for one to review. Don't be bashful about asking for changes. The EMC's initial contract offer could be "tilted" in his favor. Most EMC's are practical businessmen and their agreements won't be lengthy or filled with "legalese." And don't be hesitant about talking over a prospective arrangement with other manufacturers handled by the EMC.

TO SUM UP. To find the EMC that will do the best job for you, develop a list of potential candidates. There are many sources to find EMC's. When you find one, negotiate a sales agreement that will please both of you.

CHAPTER IV

MAKING THE MARRIAGE WORK

DON'T FORGET YOUR EMC. Once the contract is signed, too many manufacturers ignore their EMC. This chapter discusses the ongoing relationship with your Export Management Company and, if need be, how and when to terminate the relationship.

"MANAGE" YOUR EXPORT MANAGEMENT COMPANY. Remember, your EMC acts as *your* export department. Just as you oversee your domestic sales effort, so should you manage your export effort as implemented by your EMC. Your main responsibilities: help it plan, give it backup support, and measure its performance.

DEMAND A PLAN! Most EMC's aren't asked to plan. Thus, if you ask yours to give you a market plan for developing exports, you may not get one. But persist! Ask for a simple plan. Try to get the plan on an annual basis. As a minimum, ask for an annual sales forecast. Why a plan is needed: it will give you a standard of suggested performance for comparison with actual results.

SUPPORT YOUR EMC. Put him on your customer mailing list. Many manufacturers don't do this and EMC's often complain that material sent to domestic sales organizations don't reach them. For example, be sure your EMC receives your new sales catalog, new product announcements, sales tips, etc. Here are other ways to support your EMC:

1. Invite their personnel to visit your factory for product training. (A must!)
2. Help train his agents or distributors by encouraging them to visit your plant.
3. Take foreign trips with EMC salesmen to help promote sales.
4. Make sure EMC personnel come to your annual sales meeting.
5. Visit the EMC: make it feel wanted.

In short, treat your EMC as part of your sales team.

CHECKING HIS PERFORMANCE. You will want feedback from your EMC as to his performance against his forecasts. Ask for periodic sales reports. Ask the EMC what it did to launch your product. Wisit the EMC and spend time, not only with the executives, but with those who have direct sales responsibility for your products. Get a feel for their level of effort.

TERMINATING A RELATIONSHIP. There may be times when you will want to change your EMC. Here's some possible reasons:

1. You are unhappy with the EMC's performance. Make sure that his poor performance is not linked with your poor performance. The EMC's failure may stem from the fact that you didn't give him support.
2. The EMC is unhappy with your product. Sales can't be developed because of product problems such as inappropriateness for export markets, noncompetitive pricing, etc. Thus, an EMC may want to drop you rather than vice versa.
3. You want your own in-house export department.

WHEN SHOULD YOU EXPORT ON YOUR OWN? Some manufacturers maintain an EMC relationship for 20 years or longer. Others keep one only until the point where it will be profitable to undertake their own export setup. But, before you try to do this, you should be certain you can do it on a profitable and continuous basis. If you want to establish an in-house export department, consider first the EMC's annual sales and secondly, the extra "discount" the EMC depends on for his profitable operation.

Example: *Your EMC exports $300,000 of your product. Assume he gets a 15% "extra" discount. Thus, your "cost" of using the EMC is $45,000.*

Compare the "cost" with what it would cost to set up your own organization. And consider any exports you will lose because of changing relationship with an EMC—as well as additional sales because of an increased attention to your goods.

TO SUM UP. A successful ongoing relationship with your EMC will depend on whether you fulfill your management responsibilities. First, you should make sure the EMC has an annual sales plan for your products. It doesn't have to be detailed; a simple one will do. Make sure the EMC gives you sales forecasts, and his sales record so you can measure performance.

And support your EMC in the same way you back up your domestic sales personnel. The more support you give your EMC, the greater likelihood of building a successful export business.

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DISTRICT OFFICES OF THE U.S. DEPARTMENT OF COMMERCE

Specialists in these offices can assist in your exporting efforts.

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Atlanta, 30309, Suite 600, 1365 Peachtree St., N.E. (404) 526-6000.

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